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No. 07-

IN THE
# Supreme Court of the United States

NEW YORK MERCANTILE EXCHANGE, INC.,

*Petitioner*,

*v.*

INTERCONTINENTAL EXCHANGE, INC.,

*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

## PETITION FOR A WRIT OF CERTIORARI

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## QUESTIONS PRESENTED

1. Whether the judicially created merger doctrine, which has never been adopted or opined on by this Court, is a proper method of determining copyright protection.

2. Whether numerical expressions of creative opinions of value are protectable by copyright—a question on which there is a direct conflict between the Second and Ninth Circuits.

## PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT

All parties to the proceedings are listed in the caption of the case. Petitioner New York Mercantile Exchange, Inc. ("NYMEX") is a wholly owned subsidiary of NYMEX Holdings, Inc., a publicly traded company. NYMEX has no subsidiaries or affiliates that have issued shares to the public within the meaning of Rule 29.6.

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## PETITION FOR A WRIT OF CERTIORARI

Petitioner New York Mercantile Exchange, Inc. ("NYMEX") respectfully submits this petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit.

## OPINIONS BELOW

The opinion of the Second Circuit is reported at 497 F.3d 109, and is reprinted in the Appendix to the Petition ("Pet. App.") at 1a – 26a. The order denying NYMEX's petition for rehearing *en banc* is unreported, and is reprinted at Pet. App. 72a – 73a. The District Court's opinion is reported at 389 F.Supp.2d 527, and is reprinted at Pet. App. 27a – 71a.

## JURISDICTION

The Second Circuit entered its judgment on August 1, 2007 and denied the Petition for Rehearing *en banc* on October 18, 2007. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

## STATUTORY PROVISIONS INVOLVED

This case involves Art I., § 8, cl. 8 of the United States Constitution, and 17 U.S.C. §§ 101 and 102 of the Copyright Law of the United States (the "Copyright Act"). Those provisions are reproduced at Pet. App. 74a – 76a.

## STATEMENT OF THE CASE

This case raises issues of broad importance in copyright law that this Court has never resolved.

Lower courts have created, and engrafted, the merger doctrine onto copyright law as a method of determining copyright protection. This Court has never opined on the merger doctrine. Because application of the merger doctrine enables courts to circumvent the most fundamental analysis of copyright protection and evade this Court's precedent in *Feist Publications, Inc. v. Rural Telephone Services Company,* it is critical for this Court to determine whether there is or should be such a doctrine. 499 U.S. 340 (1991). It is also critical for this Court to resolve the conflict between the circuits as to whether numerical expressions of creative opinions of value are protectable by copyright, and whether, if there is to be a merger doctrine, it would apply to such expressions.

The grant of this petition will affect the ability of all those engaged in creative endeavors to obtain and to enforce copyrights. It will also impact the economy of this country that has flourished as a result of the strong intellectual property protection afforded by copyright law.

1. United States copyright law has its roots in Article I, Section 8, Clause 8, of the United States Constitution, which gives authors of creative works exclusive rights to the commercialization of their works for a limited time. What constitutes protectable, creative expression is at the heart of copyright law and must be addressed every time the copyrightability of a work is questioned.

The merger doctrine holds that if an idea and the

expression of an idea are so intricately intertwined that the ways of expression have little possible variation, copyright protection will be denied. A number of lower courts have applied the merger doctrine to prevent copyright protection over the idea.

Copyright protects creative expression, but not the underlying idea; in other words, idea and expression are mutually exclusive. This idea/expression dichotomy is a mainstay of copyright law. The merger doctrine provides that an entirely expressive work can also be an idea and destroys the line drawn by the idea/expression dichotomy. Because creativity is the determining factor as to whether copyright protection applies, the merger doctrine is no more than a subjective test to rationalize a court's decision.

In *Feist*, this Court held that the constitutional requirement for copyright necessitates independent creation plus a modicum of creativity. The merger doctrine permits courts to avoid assessing the creativity involved in the creation of a work, which, per *Feist*, is required to determine copyrightability of a work. The merger doctrine attempts to combine creative and protectable expression with uncopyrightable ideas; in doing so, it eviscerates copyright protection for works of original creative expression.

Pursuant to the Constitution, the Copyright Act, and this Court's precedent, if a work is original, but contains a "modicum of creativity," it is entitled to copyright protection. Thus, application of the merger doctrine to exclude works of creative

authorship contradicts established copyright law.[1] The dual test of originality and creativity to ascertain whether a work is copyrightable expression or uncopyrightable fact should be the only test used by courts and the United States Copyright Office in making a determination regarding the copyrightability of works.

2. The lack of uniformity among courts in their application of the merger doctrine in copyright infringement cases is evidenced by the direct conflict between the decisions of the Ninth Circuit in *CDN, Inc. v. Kapes*, 197 F.3d 1256 (9th Cir. 1999) and the Second Circuit in the present case. Both circuits faced the identical question of whether the numerical expression of an opinion of value was entitled to copyright protection. The Ninth Circuit held that the merger doctrine was not applicable and that numerical expressions of wholesale prices of collectible coins were entitled to copyright

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[1] Noted copyright expert Professor Nimmer has stated that the "application of the merger doctrine depends on the level of abstraction at which one defines the 'idea' that merges with the subject 'expression'" of that idea. 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* §13.03[B][3] (2007). Thus, the degree of abstraction of the idea dictates whether the idea and expression are the same. Noted jurists have recognized that the abstraction test can be applied in ways that conflict with the purposes of copyright law. In the words of Chief Judge Frank Easterbrook, the abstraction test is "a clever way to pose difficulties that require courts to avoid either extreme of the continuum of generality." *Nash v. CBS, Inc.*, 899 F.2d 1537, 1540 (7th Cir. 1990) (quoted by *CCC Information Services, Inc. v. Maclean Hunter Market Reports*, Inc., 44 F.3d 61, 69 n. 15 (2d Cir. 1994)). Similarly, Judge Learned Hand has described the test as inevitably requiring *ad hoc* decisions. *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960).

protection. In contrast, the Second Circuit held that the merger doctrine was applicable to numerical expressions of opinions of values of futures contracts and denied copyright protection.

The Ninth Circuit decision in *CDN* accurately assessed the creativity involved in determining the wholesale prices of collectible coins. On the other hand, the Second Circuit failed to make any determination regarding the copyrightability of NYMEX's valuations of futures contracts. Rather, it applied the merger doctrine, thus avoiding the proper copyright analysis.

This case is the appropriate opportunity for the Court to determine whether there should be, or even can be, a merger doctrine and to resolve the conflict between the circuits. It is time to bury the merger doctrine; it affords courts the opportunity to avoid proper analysis of the copyrightability of works and, thus, actually hinders copyright protection.

## A. Factual Background

### 1. The New York Mercantile Exchange, Inc.

Petitioner New York Mercantile Exchange, Inc. ("NYMEX") is the world's leading and largest physical commodity based futures exchange for the trading of futures contracts and of options contracts for energy commodities, *e.g.*, crude oil, natural gas, and other commodities, *e.g.*, gold, silver and other metals. NYMEX maintains an open outcry trading market *i.e.*, a trading floor, in New York City and provides facilities for electronic trading and clearing contracts. NYMEX is regulated by the Commodity Futures Trading Commission (the "CFTC").

At the end of every trading day the NYMEX Settlement Price Committee ("Committee"), through a creative, well reasoned, and ingenious process, creates original valuations of value and to futures contracts. NYMEX's valuations are expressed as "Settlement Prices," which are used to value and to clear futures contracts traded on the NYMEX each day. Those NYMEX Settlement Prices constitute an original work of authorship created and owned by NYMEX.

### a. The Creative Process in Determining NYMEX Settlement Prices

Each business day, NYMEX independently creates valuations for the futures contracts that are traded on the NYMEX. Unlike other securities exchanges, such as the New York Stock Exchange, there is no "final trade" on the NYMEX that serves as the closing price for the listed futures contracts.

Following the close of trading, the NYMEX Committee meets to create and determine NYMEX Settlement Prices for each of the various types of commodities traded on the NYMEX. The NYMEX Committee collects and appraises information, such as the volume of trading that day, daily transaction prices, the amount of orders that remain unfulfilled at the end of that day, and market information outside of NYMEX. The NYMEX Committee considers, sifts, weighs, and extrapolates its collected data, and through debate, reasoned analysis, innovative thinking, and sound judgment, devises and creates NYMEX Settlement Prices that are original to NYMEX.

NYMEX has developed guidelines to assist the

NYMEX Committee in creating each Settlement Price by, *inter alia*, identifying trades that should be assessed, the time period during which certain trades should be evaluated, how trades should be weighed, and other factors that may be taken into account by the NYMEX Committee. But, above all, those guidelines provide that the NYMEX Committee exercise *judgment* in reaching an opinion as to what it deems a fair and appropriate valuation.

NYMEX's creation and determination of NYMEX Settlement Prices is a complex and thoughtful undertaking that employs creative analysis and valuation. For example, commodities, such as NYMEX Light, Sweet Crude Oil Futures Contracts, commonly referred to as West Texas Intermediate ("WTI crude oil"), and NYMEX Henry Hub Natural Gas Futures Contracts ("Henry Hub natural gas") (collectively referred to as "NYMEX Futures Contracts") are traded daily for many months in the future when such commodities may be delivered. On any given day, futures contracts are traded for crude oil that call for the delivery for each of the months for a nine year period and for natural gas contracts that call for delivery for each of the months up to a six year period. The activity and volatility of trading for futures contracts increase the closer it gets to the contracts' expiration dates, but contracts for months farther away in time (referred to as the "outer months") often have little or no trading activity on a particular day. Accordingly, NYMEX's evaluation process undeniably invokes creativity when Settlement Prices for futures contracts are developed for those outer months because there is little data available and the NYMEX Committee must look to other variables.

### b. Commercial Demand for Early Dissemination of NYMEX Settlement Prices

As a registered contract market with the CFTC, NYMEX is required to record and disseminate its Settlement Prices before the start of trading the following business day. 7 U.S.C. § 6g(e); 17 C.F.R. 16.01(b)(2). Congress and the CFTC have recognized NYMEX's property rights in its independently created Settlement Prices by permitting NYMEX to provide early access to its Settlement Prices in exchange for license fees.

Trading in the commodities themselves and in derivatives and other contracts based on or related to those commodities, continues around the clock. There is a demand in the trading community and the commodities industry to obtain NYMEX Settlement Prices as soon as NYMEX creates them. To meet this demand, NYMEX supplies its Settlement Prices to market data vendors, who then distribute them to subscribers. Such subscribers are limited to using NYMEX Settlement Prices for internal purposes.

### 2. IntercontinentalExchange, Inc.

IntercontinentalExchange, Inc. ("ICE") operates an electronic platform for the trading of futures contracts that replicate and compete with the trading of futures contracts in, *inter alia*, WTI crude oil and Henry Hub natural gas futures. ICE is not regulated by the CFTC.

From the commencement of trading on ICE in October 2000 until March 2002, ICE was only an "executor" and not a "clearer" of trades. As such, ICE merely offered its market participants an

"execution-only" facility in energy futures with no clearing option.

In 2002, ICE began offering clearing services through the London Clearing House ("LCH") for Henry Hub natural gas and WTI crude oil futures contracts and needed valuations to clear trades.

ICE has the capability to create its own numerical expressions of opinions of values of futures contracts, but rather than expend the required effort to collect data, weigh different factors, and exercise independent creativity or judgment, ICE obtains, unlawfully copies, and forwards NYMEX Settlement Prices externally to LCH for certain commodities for the clearing of ICE's cash-settled, look-alike contracts which replicate NYMEX Futures Contracts, in direct competition with NYMEX.

ICE's infringement of NYMEX Settlement Prices enables ICE to receive fees for clearing services in connection with trades performed on ICE's platform. Simply stated, ICE generates revenues that directly result from its unlawful copying of NYMEX Settlement Prices.

### B. Decisions Below

In March 2002, NYMEX filed an application with the United States Copyright Office to register its copyright in NYMEX Settlement Prices. The application was subsequently withdrawn and replaced with a new application on April 23, 2002, that sought registration of NYMEX's database, which is a compilation of NYMEX Settlement Prices. On April 24, 2002, the Copyright Office issued a

copyright registration for the NYMEX database.

NYMEX commenced this action in the District Court for the Southern District of New York on November 20, 2002. On December 20, 2002, NYMEX filed an amended complaint alleging copyright infringement, trademark infringement under federal and state law, and tortious interference with contract under state law. Pet. App. 6a.

ICE moved for summary judgment on all claims filed by NYMEX and NYMEX cross-moved for partial summary judgment on the copyrightability of NYMEX Settlement Prices and on its state law tortious interference claim.

The District Court rejected NYMEX's evidence that there was no single "correct" determination as to each valuation and instead found that NYMEX Settlement Prices were "actual prices." Pet. App. 57a – 58a. The District Court asserted that NYMEX Settlement Prices embody facts and ignored the evidence that NYMEX Settlement Prices are infused with NYMEX's creativity. Pet. App. 58a.

The District Court granted ICE summary judgment on NYMEX's claim for copyright infringement. The District Court found that NYMEX's idea of opinions of values of futures contracts could not be distinguished from its *expression* of those opinions, and therefore, the merger doctrine barred copyright protection. The District Court found NYMEX Settlement Prices were non-copyrightable words or short phrases. Pet. App. 64a. The District Court also granted ICE summary judgment on NYMEX's claim for trademark infringement and declined to exercise

supplemental jurisdiction over NYMEX's state law tortious interference and trademark claims. Pet. App. 69a – 70a. NYMEX appealed the District Court's decision on copyright infringement and the dismissal of state law claims.

The Second Circuit affirmed the District Court. With respect to NYMEX's claim that its Settlement Prices were copyrightable expression, the Second Circuit held that NYMEX was not entitled to copyright protection under the merger doctrine. The Second Circuit reasoned that "even if these prices are created by NYMEX—a question we do not resolve—there has been no infringement because enforcing the copyright here would effectively accord protection to the idea itself." The Second Circuit also held that the District Court did not abuse its discretion in declining to exercise supplemental jurisdiction over NYMEX's state law claims.

NYMEX filed a petition for rehearing *en banc*, arguing that the Second Circuit improperly applied the law of summary judgment by misapprehending laws and facts, and overlooked critical facts in its analysis of the merger doctrine; and, further, that the Second Circuit's decision conflicted with Supreme Court and Second Circuit precedents. The Second Circuit denied NYMEX's petition for rehearing *en banc* on October 18, 2007.

## REASONS FOR GRANTING THE PETITION

The merger doctrine has no basis in the Constitution, the Copyright Act, or this Court's precedent. The doctrine has never been approved or considered by this Court. It is time for this Court to consider whether the continued application of the

merger doctrine conflicts with the Constitutional protection guaranteed to copyright holders by the Copyright Act and this Court's precedent. The uneven application of the merger doctrine in the circuits has led to the direct conflict between the Second Circuit's decision in the present case and the Ninth Circuit's decision in *CDN, Inc. v. Kapes*, 197 F.3d 1256 (9th Cir. 1999). Without guidance from this Court, the circuits will continue to develop a patchwork of precedents based on the merger doctrine that defy any logical rationalization.

The fundamental principles that afford copyright protection to original and creative works of authorship are being thwarted by the judicially created merger doctrine. The interests of authors who labor to create original, copyrightable works of authorship are an integral part of this country's copyright practice. It is vitally important that these interests be protected to ensure the continued growth of our nation's culture and economy. This Court needs to right the ship and ensure that those involved in the creation of copyrightable expression obtain the copyright protection to which they are entitled under the Constitution.

## I. THIS COURT HAS NEVER OPINED ON THE JUDICIALLY CREATED MERGER DOCTRINE

The idea/expression dichotomy is the long-standing copyright principle that ensures copyright protection to only those works that constitute creative, original expression, and not, to the ideas underlying those works.

Dichotomy, by definition, is a "division or the process of dividing into two esp. *mutually exclusive*

or contradictory groups or entities"(emphasis added).[2] Thus, the basic tenet of the idea/expression dichotomy is that a work is either protectable by copyright law because it is expression, or not protectable by copyright law because it is an idea.

This Court has articulated the principle of the idea/expression dichotomy in at least four cases, namely, *Baker v. Selden*, 101 U.S. 99 (1879); *Mazer v. Stein*, 347 U.S. 201, 217 (1954) ("copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea—not the idea itself"); *Harper and Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985); and *Feist Publications, Inc. v. Rural Telephone Services Co.*, 499 U.S. 340, 349 – 350 (1991) ("copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by the work" (citing *Harper and Row*, 471 U.S. at 556 – 557)).

Congress codified the idea/expression dichotomy in 17 U.S.C. § 102(b):

> in no case does copyright protection for original work of authorship extend to any idea... regardless of the form in which it is described, explained, illustrated, or embodied in such work.

Congress explained that the purpose of § 102(b) was to "restate[s], in the context of the new single Federal system of copyright, that the basic dichotomy between expression and idea remains

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[2] *Merriam-Webster's Collegiate Dictionary*, 321 (10th ed. 1993) (emphasis added).

unchanged."[3]

The lower courts have distorted both this Court's precedent and 17 U.S.C. § 102(b) by eviscerating the idea/expression dichotomy and holding that, at certain times, a work consisting entirely of protectable expression is uncopyrightable because it has "merged" with its underlying idea. Such a puzzling and troublesome determination occurs as a result of application of the merger doctrine.

The merger doctrine provides that when an idea can be expressed effectively in one or only *a limited number of ways*, the idea and expression have "merged" and copyright protection should be denied to the expression to prevent copyright protection of the idea. Pet. App. 16a – 17a.

This Court has not previously addressed the validity or the utility of the merger doctrine. Some lower courts and copyright scholars have incorrectly attributed the doctrine's creation to this Court's dicta in the seminal case of *Baker v. Selden*.[4] In *Baker v. Selden*, this Court stated:

> [W]here the art it teaches cannot be used without employing the methods and diagrams used to illustrate the book, or such as are similar to them, such methods and diagrams are to be considered as necessary incidents to the art, and given therewith to the public....

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[3] H.R. Rep. No. 94-1476 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5670.

[4] Pamela Samuelson, *Why Copyright Law Excludes Systems and Processes from the Scope of Its Protection*, 85 Tex. L. Rev. 1921, 1933 – 34 (2007).

101 U.S. at 103. However, a proper reading of this passage, or any other passage in that decision, does not provide a basis for the merger doctrine.

The *Baker v. Selden* solidified the importance of the idea/expression dichotomy, not the merger doctrine. This Court recognized the uncopyrightable nature of "blank forms" and held that while copyright could protect a book of forms, it could not protect the idea underlying the forms. 101 U.S. at 107.

The merger doctrine conflicts with what this Court has held to be the trigger for copyright protection: creativity. The lower courts' application of the merger doctrine to deny copyright protection to original expression usurps the position of creativity as the cornerstone of copyright analysis.

### A. In *Feist*, This Court Established That a Work Should Be Protected By Copyright If It is Creative – There is No Need For the Merger Doctrine

Creativity is the foundation of copyright law and owes its origin to Article I, § 8, cl. 8 of the Constitution, which mandates originality as a prerequisite for copyright protection. *Feist*, 499 U.S. at 347.

Per this Court's decision in *Feist*, facts, like ideas, are not entitled to copyright protection because they are not "created." This Court explained that:

> The key to resolving the tension lies in understanding why facts are not copyrightable. The *sine qua non* of copyright is originality. To qualify for copyright protection, a work must be

> original to the author. Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity....
>
> The distinction [between expression and fact] is one between creation and discovery: The first person to find and report a particular fact has not created the fact; he or she has merely discovered its existence. To borrow from *Burrow-Giles*, one who discovers a fact is not its "maker" or "originator." The discoverer merely finds and records. Census takers, for example, do not "create" the population figures that emerge from their efforts; in a sense, they copy these figures from the world around them. Census data therefore do not trigger copyright because these data are not "original" in the constitutional sense.

*Id.* at 345-347 (internal citations omitted).

As articulated above, creative and original expression is afforded copyright protection, while fact is not. This distinction forms the bedrock of any copyright analysis.

The merger doctrine has become so ingrained in the jurisprudence of the lower courts that every time it is raised by a defendant in a copyright infringement case, a court is required to labor through the analysis, often discounting the issue of

creativity, as the Second Circuit did in the case below. This burden has resulted in both a frustration of the Constitutional imperative to protect creative, original works of authorship and a failure to follow this Court's precedent in *Feist*.[5]

Because copyrightability is determined by creativity, there is no need for the merger doctrine. Without this Court's intervention, creative expression will continue to be deprived of copyright protection.

### B. The Merger Doctrine Has Become a Way of Arriving at a Pre-Determined Result—It is Not a Proper Test to Determine Copyrightability

The merger doctrine disqualifies certain creative expression from copyright protection. This Court stated in *Feist* that whether a work is original and copyrightable should be determined based on an analysis of *how* the work is created.

Despite this Court's precedent, the Second Circuit declined to determine the creativity behind

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[5] The Second Circuit stated, "courts have applied the merger doctrine such that, 'even expression is not protected in those instances where there is only one or so few ways of expressing an idea that protection of the expression would effectively accord protection to the idea itself'" (citations omitted) (emphasis added) Pet. App 16a – 17a.

NYMEX's valuation process,[6] but stated that there was a *"strong argument* that, like the census taker [exemplified in *Feist*], NYMEX does not 'author' the settlement prices as the term is used in copyright law." Pet. App. 11a

Without having first reached a conclusion as to the copyrightability of NYMEX Settlement Prices, the Second Circuit hastily and inappropriately applied the merger doctrine. This begs the question of how a court could apply the merger doctrine when it did not determine that the work at issue was creative expression. It is inconceivable that a court could determine that a particular work at issue has "merged" with an idea without knowing whether that work is fact or creative expression.

The erroneous application of the merger doctrine inevitably led the Second Circuit to an incorrect conclusion. Stating that NYMEX had "not demonstrated a range of possible variations that would preclude application of the merger doctrine," the Second Circuit found that "the record merely demonstrates that, at times, Committee members have disagreed on the exact settlement price." Pet App. 19a.

If the Second Circuit had reviewed the evidence as to how NYMEX Settlement Prices are created and determined, it would have recognized that NYMEX

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[6] The Second Circuit stated, "[i]n any event, it is unnecessary to resolve this question and we instead affirm because even if NYMEX creates the settlement prices, NYMEX's claim fails due to an application of the merger doctrine..." Pet. App. 15a. Circuit Judge Peter W. Hall stated in his opinion concurring in part, "this panel need not—and, indeed, does not—reach the question of originality of settlement prices other than in dicta." Pet. App. 26a.

Committee members not only "disagree," but ponder, question, deliberate and debate differing opinions of values. Such evidence clearly establishes that there are a number of viable alternatives of expression. Further, the Second Circuit did not explain how wide of a "range" or how many possible expressions would have prevented application of the merger doctrine.

The merger doctrine is based on a faulty premise. At the very least, it is redundant of the fact versus creative expression analysis that is inherent in all copyrightability determinations. If a proper creativity analysis is undertaken, there is no need for the application of the merger doctrine.

A well known scholar has noted, "when merger is used at the copyrightability stage, if too much protection is granted in one case, it will be difficult for later courts (at least in the same circuit) to cut back on the protection for a given work... Conversely, *when merger is used to deny protection altogether, later courts lose their ability to prevent verbatim copying by freeloaders*".[7]

The merger doctrine eviscerates copyright protection for original, creative works by blurring the line that distinguishes protectable expression from uncopyrightable ideas. The application of the merger doctrine to exclude works of creative authorship flies in the face of the Constitution, the Copyright Act, and the precedent of this Court. The lower courts cannot be permitted to continue using the merger doctrine to justify results while ignoring

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[7] William F. Patry, *Copyright And Computer Programs: A Failed Experiment And A Solution To A Dilemma*, 46 N.Y.L. Sch. L. Rev. 201, 216 (2002–2003) (emphasis added).

this Court's directives for determining copyrightability. Indeed, the merger doctrine has never been adopted by this Court and the time is ripe for its demise.

## II. THERE IS A DIRECT CONFLICT BETWEEN THE CIRCUITS REGARDING THE APPLICATION OF THE MERGER DOCTRINE

The circuits need this Court's guidance. The Second Circuit's holding that the merger doctrine bars copyright protection of numerical expressions of opinions of values directly conflicts with the Ninth Circuit's decision in *CDN Inc. v. Kapes*, 197 F.3d 1256 (9th Cir. 1999).

In *CDN*, the Ninth Circuit was presented with the question that NYMEX asked the Second Circuit to consider in the present case: Are numerical expressions of opinions of values copyrightable? In contradiction to the Second Circuit, the Ninth Circuit found that they were.

The facts of *CDN* were extraordinarily similar to those of this case. CDN published its wholesale prices for United States collectible coins in the *Coin Dealer Newsletter*. 197 F.3d at 1257 – 1258. Kenneth Kapes was an operator of a coin business that listed retail prices on its website calculated from CDN's wholesale prices using a computer program. 197 F.3d at 1257 – 1258. CDN sued Kapes for copyright infringement. By party stipulation, the only issue before the Ninth Circuit was whether CDN's wholesale prices were copyrightable. 197 F.3d at 1258.

Unlike the Second Circuit, the Ninth Circuit

conducted the proper copyright analysis and determined that CDN's wholesale prices were creative. the Ninth Circuit recognized that CDN's wholesale prices were CDN's "best guess" as to what the current "bid" and "ask" price should be for collectible coins,197 F.3d at 1260—just as NYMEX Settlement Prices are NYMEX's "best guess" as to the market value of futures contracts. The Ninth Circuit described CDN's process of its prices as "simply not a process through which [CDN] discover[d] a preexisting historical fact, but rather a process by which [CDN] create[d] a price which, in their best judgment, represent[ed] the value of an item as closely as possible." 197 F.3d at 1261.

CDN, like NYMEX, determined its prices by considering, sifting, weighing, and extrapolating collected data using its creativity and judgment.[8]

In the same manner that ICE has access to the data used by NYMEX to create NYMEX Settlement Prices, Kapes had access to the data used by CDN to create its wholesale prices. Kapes, also like ICE, simply copied CDN's wholesale prices for certain coins rather than expend any effort to collect and evaluate data or exercise creativity and judgment to create its own wholesale prices. 197 F.3d at 1257.

Kapes argued in *CDN* "that a price is an idea of the value of the product, which can be expressed only using a number" and, therefore, pursuant to the merger doctrine, the prices were not copyrightable.

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[8] The data considered by CDN in creating its wholesale prices included retail price information in major coin publications, grades of coins by professional services, bids on online networks, public auctions and private sales, the economy, and foreign policies. 197 F.3d at 1260.

197 F.3d at 1261. The Ninth Circuit rejected Kapes' argument, determined that the merger doctrine did not bar copyright protection, and held that CDN's prices were creative expressions, not mere ideas. *Id.* at 1261- 62

Despite the similarity of facts, the Second Circuit adopted Kapes' unsuccessful argument. In direct conflict with the Ninth Circuit, the Second Circuit held that NYMEX Settlement Prices were the idea of the value of futures contracts and were not protectable pursuant to the merger doctrine. The Second Circuit was mistaken. The NYMEX Settlement Prices are, like CDN's wholesale prices, creative expression entitled to copyright protection.

The Ninth Circuit presciently warned that application of the merger doctrine in these circumstances "would eviscerate the protection of the copyright law." 197 F.3d at 1261. The Ninth Circuit stated:

> Conceptually, the problem arises because the "critical distinction between 'idea' and 'expression' is difficult to draw. As Judge [Learned] Hand candidly wrote, 'Obviously, no principle can be stated as to when an imitator has gone beyond copying the "idea," and has borrowed its "expression." ' " We have endorsed Judge Hand's abstractions formulation laid out in *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir.1930). The formulation recognizes that every work can be described at varying levels of abstraction, and the higher the level

> of abstraction copied, the less likely this taking will be infringement of a copyright.
>
> As Judge Hand noted, the difference between idea and expression is one of degree. This circuit has held that "[t]he guiding consideration in drawing the line is the preservation of the balance between competition and protection reflected in the patent and copyright laws." In this case, the prices fall on the expression side of the line. CDN does not, nor could it, claim protection for its idea of creating a wholesale price guide, but it can use the copyright laws to protect its idea of what those prices are.... Drawing this line preserves the balance between competition and protection: it allows CDN's competitors to create their own price guides and thus furthers competition, but protects CDN's creation, thus giving it an incentive to create such a guide. *See Mazer*, 347 U.S. at 219, 74 S. Ct. 460 ("The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors...."). *The doctrine of merger does not bar copyright protection in this case.*

197 F.3d at 1261 – 1262 (internal citations omitted) (emphasis added).

The Second Circuit did not properly distinguish the Ninth Circuit's decision in applying the merger doctrine. The Second Circuit's only reference to *CDN* is a footnote, which states that *CDN* "is distinguishable because the prices for collectible coins in that case were estimates, not discovered market facts." Pet. App. 13a, FN 5. However, the Second Circuit's presumption at the start of its merger doctrine analysis—that NYMEX Settlement Prices are creative expression—evaporated the basis of the Second Circuit's "distinction" of *CDN*. *See* Pet. App. 15a. Nowhere does the Second Circuit address the Ninth Circuit's analysis and antithetical finding that the merger doctrine does not apply to creative numerical expressions of opinions of value. The Second Circuit and the Ninth Circuit addressed the identical question and came to opposite conclusions.

With respect to the conflict between the circuits, *Veeck v. Southern Bldg. Code Congress Intern. Inc.*, 241 F.3d 398 (5th Cir. 2001) should be considered. The Fifth Circuit, like the Ninth Circuit, rejected application of the merger doctrine upon properly determining that the work in question was original and infused with the author's creativity.

Defendant argued that a finding of copyrightability in Veeck's building code should be defeated because once the building code was adopted into law, there could only be one expression of that law. The Fifth Circuit correctly dismissed the argument, holding that the merger doctrine, as applied in the Fifth Circuit, is applied at the time the work is created rather than as an infringement defense. The Fifth Circuit then correctly stated that the merger doctrine had no application because there were many ways to write a building code.

Both *CDN* and *Veeck* illustrate the lack of necessity for the merger doctrine. The Ninth and Fifth circuits considered and rejected application of the merger doctrine and focused instead on the creativity of the works at issue.

The inconsistencies between the circuits illustrate the need for this Court to instruct the lower courts to abandon the merger doctrine as a tool to determine copyright protection.

## III. THE MERGER DOCTRINE SHOULD NOT BAR COPYRIGHT PROTECTION FOR NUMERICAL EXPRESSIONS OF OPINIONS OF VALUE

NYMEX Settlement Prices are numerical expressions that are copyrightable as literary works. 17 U.S.C. §§ 101 and 102(a). The Second Circuit's holding is precedent that the merger doctrine bars copyright protection of numerical expressions of opinions of value.

In applying the merger doctrine, the Second Circuit incorrectly equated what it determined to be the "idea" (the fair market value of each NYMEX contract) with the "expression" of that idea (NYMEX Settlement Prices). Pet. App. 19a. *However, the idea of opinions of values are not the same as the numerical expressions of those opinions.* If they were, as the Second Circuit asserted, then a numerical expression of an opinion of value could never be copyrightable. This result conflicts with (i) the concept that if a work possesses the requisite amount of creativity it is copyrightable and (ii) Ninth and Fifth Circuit precedent.

The Second Circuit acknowledged that "'copyright

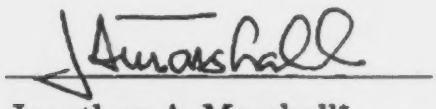
is intended to increase and not to impede the harvest of knowledge,' while also 'assur[ing] contributors to the store of knowledge a fair return for their labors.'" (quoting *Harper*, 471 U.S. at 545 – 46). Pet. App. 20a. Yet its holding defeats this purpose.

Affording copyright protection to NYMEX Settlement Prices does not foreclose others from expressing opinions of those values. ICE and the other NYMEX competitors are not impeded in any way from creating their own opinions of the value of futures contracts. ICE has the capability to create its own opinions of value, and has access to the market data that NYMEX considers when it creates its Settlement Prices. Thus, granting copyright protection to NYMEX Settlement Prices in no way bars ICE or any other party from developing their own valuations for such contracts. It merely serves the purposes of copyright: rewarding the creator and preventing third parties from unlawfully copying works of authorship.

## CONCLUSION

Because the decision below threatens to frustrate a key purpose of copyright law, review by this Court is warranted. The petition for a writ of certiorari should be granted.

Respectfully Submitted,



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# APPENDIX

# APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT DECIDED AUGUST 1, 2007

## UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

August Term, 2006

Argued: November 16, 2006 Decided: August 1, 2007)

Docket No. 05-5585-cv

NEW YORK MERCANTILE EXCHANGE, INC.,

*Plaintiff-Counter-Defendant-Appellant,*

—v.—

INTERCONTINENTALEXCHANGE, INC.,

*Defendant-Counter-Claimant-Appellee.*

Before:

KATZMANN, WESLEY, and HALL, *Circuit Judges.*

KATZMANN, *Circuit Judge.*

This case calls upon us to decide whether the New York Mercantile Exchange, Inc. ("NYMEX") can enforce a copyright in the settlement prices it produces to value customers' open positions. We hold that even if these prices are created by NYMEX—a question we do not

resolve—there has been no infringement because enforcing the copyright here would effectively accord protection to the idea itself. We also consider the district court's dismissal of IntercontinentalExchange, Inc.'s ("ICE") state law claims and conclude that it did not abuse its discretion in declining to exercise supplemental jurisdiction. The judgment of the district court is affirmed.

## I.

The New York Mercantile Exchange, Inc. is an exchange for the trading of futures and options contracts for energy commodities. It operates a physical trading floor in New York City where brokers and traders transact. Two of its most successful futures contracts are those for Henry Hub natural gas and West Texas Intermediate crude oil. IntercontinentalExchange, Inc. operates an electronic, Internet-based, trading market for trading of physical commodities and over-the-counter derivative contracts.

A futures contract requires the delivery of a commodity at a specified price at a specified future time, though most contracts are liquidated before physical delivery occurs. For each day when the contract remains open (i.e. before delivery or liquidation), NYMEX's Clearing House[1]

1. A clearing house "assumes the credit risk of each party to the transaction by effectively guaranteeing each party's performance obligations," and "becomes the buyer to every seller and the seller to every buyer" through a process known as "clearing" the contract. *New York Mercantile Exch., Inc. v. IntercontinentalExchange, Inc.*, 323 F.Supp.2d 559, 562 (S.D.N.Y. 2004).

evaluates the change in value of its customers' open contracts. This process, known as "marking-to-market" the customer's open position, determines whether a customer must post additional margin or, instead, receives payments on margin. The settlement prices are used to value the open positions.

To that end, on a daily basis NYMEX determines the settlement prices for each futures contract. The Commodity Futures Trading Commission ("CFTC"), pursuant to the Commodities Exchange Act ("CEA"), requires NYMEX, as a Designated Contract Market, to record and disseminate these prices. *See* 17 C.F.R. 16.01(b). NYMEX defines a settlement price as "the value, at the end of trading each day, of a particular futures contract for a particular commodity for future delivery at a particular time." For example, today's settlement price for an October 2007 crude oil contract is the fair market value, today, of a contract obliging the purchase or sale of a specified amount of crude oil in October 2007.

The subcommittees of the NYMEX Settlement Price Committee (the "Committee") are charged with determining the settlement price of each open futures contract for each commodity. Unlike on a securities exchange, the settlement price may not be the final trade, for two reasons. First, because of the nature of the trading, it is not always clear which trade was the closing trade. Traders handwrite their transactions on cards which are thrown into the center of trading rings, scooped up, time stamped, and sent for processing.

Because the cards may be "scooped up" out of order, the card with the latest time stamp may not represent the final trade of the day. Second, on any given day, 32 or 33 months of crude oil futures contracts and 72 months of natural gas futures contracts are being traded. For the "outer" months, those further from the trading date, there is often little or no trading on a particular day.

After the trading floor closes, the Committee determines the appropriate price for the delivery of crude oil for each of the next 32 or 33 months and for delivery of natural gas for each of the next 72. NYMEX's rules distinguish between months with sufficient trading and open interest[2] and months without (for simplicity, we will call the former "high-volume" months and the latter "low-volume" months). For high-volume months, settlement prices are based on a formula: "a weighted average of all trades done within the closing range." While only a small number of delivery months are high-volume on any given day, ICE claims that these months "represent a large percentage of the total daily trading volume in these contracts."

For low-volume months, the extent of the Committee's creative judgment is disputed. NYMEX asserts that the membership "considers, sifts, weighs and extrapolates from a wealth of data at the close of trading to reach an opinion" as to the appropriate settlement price. ICE contends that there is little

2. Open interest refers to the total number of contracts that have been entered into but have not yet expired and are thus "open" at the clearing house.

judgment involved because the subcommittees only review "objective market data," and, in practice, "look at settlement prices for the near month contracts— *i.e.*, those that are determined by mathematical formula-and then extrapolate to determine the remainder of the settlement prices based on the changes in the month-to-month spread relationships in the various contracts compared to the previous day."

NYMEX's rules also provide that the Committee may override the settlement price for a high- or low-volume month. The frequency of the use of the override provision is disputed.

After determining the settlement prices, NYMEX uses and disseminates them in several ways. First, its Clearing House uses the settlement prices to place current values on the accounts of all NYMEX Clearing Members whose clients have open positions. The members then use the settlement prices to mark-to-market their customers' open positions. Second, it publicly discloses those prices by the next business day, as required by the CFTC. *See* 17 C.F.R. Pt. 38, App. B, Core Principle 8. Third, between the time of creating the prices and the required public disclosure the following day, NYMEX supplies them to market data vendors such as Reuters pursuant to license agreements. These vendors then disclose the prices to their subscribers. Fourth, the prices are disclosed to the public on NYMEX's website.

ICE is one of the subscribers that receives settlement prices through a licensed market data vendor. While ICE cannot clear trades itself, it contracts with the London Clearing House ("LCH") to do so. ICE copies NYMEX's settlement prices and forwards them to LCH which clears ICE's customers' trades. One small exception, however, is when there has been trading on an ICE contract and it is not the final day of trading for that particular contract. In that case, the ICE committee adjusts the NYMEX settlement price one "tick" (one cent for crude oil and one tenth of a cent for natural gas) closer to the weighted average price of the ICE trades. This exception is used more often for natural gas contracts, but even there, most of the prices transmitted to LCH are copied from NYMEX.

In March 2002, NYMEX sought a copyright for its database including the settlement prices. After the Copyright Office informed NYMEX that it was unwilling to provide a copyright in settlement prices, NYMEX filed a replacement application and obtained a copyright for its database only.

NYMEX brought this suit in November 2002, in the Southern District of New York, alleging copyright infringement,[3] trademark infringement under federal and state law, and a state law claim of tortious interference with contract.

3. 17 U.S.C. § 411 provides that where all components of a "registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute an action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights."

*Appendix A*

ICE moved for summary judgment on all of NYMEX's claims; NYMEX cross-moved for partial summary judgment on the copyrightability of NYMEX's settlement prices and on its state law tortious interference claim. The district court granted ICE summary judgment on both the copyright and trademark claims; it then declined to exercise supplemental jurisdiction and dismissed the state law claims as well. *N.Y. Mercantile Exch., Inc. v. Intercontinental Exchange, Inc.*, 389 F.Supp.2d 527, 530, 547 (S.D.N.Y. 2005).

The district court resolved the copyright question without "determin[ing] the degree of creativity that goes into the setting of individual prices." *Id.* at 541 n. 10. Instead, it found two grounds for depriving NYMEX of copyright protection in its settlement prices. First, it found that these prices are "real-world facts," the "actual price at which a futures contract must be settled," and are "widely publicized and used as benchmarks by market participants." *Id.* at 542. "[B]ecause . . . the only way to express the idea of a settlement price," is a single number, the idea "cannot be distinguished from its expression, [and] the merger doctrine applies." *Id.* at 542-43. Second, the settlement prices are "non-copyrightable words or short phrases." *Id.* at 543. The district court did not address ICE's additional arguments for denying NYMEX's copyright claim. *Id.* at 544 n. 13. NYMEX does not appeal the trademark ruling so that portion of the district court's decision is not relevant to this discussion.

NYMEX argues that the district court erred because settlement prices are copyrightable. Furthermore, it argues that the district court abused its discretion in declining to exercise supplemental jurisdiction over the state law claims. ICE defends the district court's decision and argues for several alternate grounds to affirm. The United States has filed an *amicus curia* brief in support of ICE, arguing that the settlement prices are facts, even if they are not facts the idea of the prices have merged with their expression, and even if merger did not apply, the prices are not copyrightable because they are short phrases.

## II.

We review grants of summary judgment de novo. *See Island Software & Computer Serv., Inc. v. Microsoft Corp.*, 413 F.3d 257, 260 (2d Cir.2005); *Dallas Aerospace, Inc. v. CIS Air Corp.*, 352 F.3d 775, 780 (2d Cir.2003). In doing so, we "construe the facts in the light most favorable to the non-moving party and must resolve all ambiguities and draw all reasonable inferences against the movant." *Dallas Aerospace*, 352 F.3d at 780. We review for abuse of discretion a district court's decision to decline to exercise supplemental jurisdiction. *Valencia ex rel. Franco v. Lee*, 316 F.3d 299, 305 (2d Cir.2003).

The Constitution provides that "Congress shall have power to . . . promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. Const. Art. I, § 8, cl. 8. Pursuant

to this power, Congress enacted the Copyright Act, 17 U.S.C. § 101 *et seq.*; the latest version of the Act states: "Copyright protection subsists . . . in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." *Id.* § 102(a). One of the categories of protectable works listed in the Act is "literary works," *id.* § 102(a)(1), defined as "works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied," *id.* § 101.

"The *sine qua non* of copyright is originality." *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 345, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991). Originality is a constitutional requisite and requires that the "work was independently created by the author (as opposed to copied from other works) and that it possesses at least some minimal degree of creativity." *Id.* Originality has been described as "founded in the creative powers of the mind . . . the fruits of intellectual labor," *In re Trade-Mark Cases*, 100 U.S. 82, 94, 25 L.Ed. 550 (1879) (emphasis omitted), and evidencing "intellectual production, . . . thought, and conception," *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 60, 4 S.Ct. 279, 28 L.Ed. 349 (1884).

In contrast, "facts do not owe their origin to an act of authorship. The distinction is one between creation and discovery: The first person to find and report a particular fact has not created the fact; he or she has merely discovered its existence." *Feist*, 499 U.S. at 347, 111 S.Ct. 1282. "[A]ll facts-scientific, historical biographical, and news of the day . . . may not be copyrighted and are part of the public domain available to every person." *Id.* at 348, 111 S.Ct. 1282 (internal quotation marks omitted). As Professor Nimmer explains in his leading copyright treatise:

> The "discoverer" of a scientific fact as to the nature of the physical world, an historical fact, a contemporary news event, or any other "fact," may not claim to be the "author" of that fact. . . . The discoverer merely finds and records. He may not claim that the facts are "original" with him, although there may be originality and hence, authorship in the manner of reporting, *i.e.*, the "expression," of the facts. As copyright may only be conferred upon "authors," it follows that . . . discoveries as facts *per se* may not be the subject of copyright.

1-2 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 2.03[E] (2006) ("Nimmer") (internal footnote call numbers omitted). NYMEX concedes, and indeed it is "universally understood," that if a settlement price is a fact, it cannot be copyrighted. *Feist*, 499 U.S. at 344, 111 S.Ct. 1282.

*Appendix A*

In elucidating the distinction between original creation and discovery, the *Feist* Court provided a helpful example: census takers are not authors of the census data. Census takers merely discover the appropriate population figure; "in a sense, they copy these figures from the world around them." *Id.* at 347, 111 S.Ct. 1282.

The question then, is one of characterization: does the Committee create the settlement prices, or is it more accurate to view the Committee's task as like that of a census taker, copying the market's valuation of futures contracts? While the line between creation and discovery is often clear-cut, we recognize that it is a difficult line to draw in this case. For reasons we explain below, we believe there is a strong argument that, like the census taker, NYMEX does not "author" the settlement prices as the term is used in copyright law.[4] *See Burrow-Giles*,

4. In disagreeing with this statement in his concurring opinion, we respectfully suggest that Judge Hall misconstrues our analysis. Most crucially, Judge Hall states that we "contemplate heightening the standards by which we determine whether a work exhibits 'some minimal degree of creativity.' " [Concurrence at 119] (quoting *Feist*, 499 U.S. at 345, 111 S.Ct. 1282). The concurrence confuses independent creation with creativity. Originality requires both that the "work was independently created by the author (as opposed to copied from other works) and that it possesses at least some minimal degree of creativity." *Feist*, 499 U.S. at 345, 111 S.Ct. 1282; *see also Matthew Bender & Co., Inc. v. West Publ'g Co.*, 158 F.3d 674, 681 (2d Cir.1998) ("The 'originality' standard requires that the work result from 'independent creation' *and* that the author demonstrate that such creation entails a 'modicum of creativity.'"

(Cont'd)

111 U.S. at 57-58, 4 S.Ct. 279 (defining "author" as "he to whom anything owes its origin; originator; maker" (internal citation omitted)). Still, because this is a close question, particularly at the summary judgment stage, we do not decide whether settlement prices are unoriginal, and instead affirm based on the merger doctrine, as discussed in Part III.

In considering how to characterize the Committee's task we start with what a settlement price measures. For high-volume months, settlement prices are determinations of how the market values a particular futures contract. After all, there is no dispute that the Committee members seek to determine the appropriate market valuation of each commodity contract, not how the market *should* value them or *will* value them. Under this view, the market is an empirical reality, an economic fact about the world, that Committee members are seeking to discover. Thus, there is a strong argument

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(Cont'd)

(emphasis in original)); 1-1 Nimmer § 1.08[C][1] ("It is important to distinguish between the requirement of originality and the requirement of intellectual labor.... The doctrine of originality stems from the Copyright Clause's use of the term 'authors' and refers to independent creation. Intellectual labor, on the other hand, suggests an absolute standard, albeit a highly minimal one, of creativity." (internal footnote call number omitted)). While there is a strong argument that NYMEX did not independently create the settlement prices, we—like the district court—do not consider the extent of NYMEX's creativity. *See N.Y. Mercantile Exch., Inc.*, 389 F.Supp.2d at 541 n. 10. Judge Hall also states that our logic is circular. It is not. It originates with the premise that settlement prices are discovered from actual market activity.

that, as a matter of law, the Committee is discovering facts, not creating predictions or estimates.[5] So

5. *CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.*, 44 F.3d 61 (2d Cir.1994), which held that the Red Book, a compilation of estimated projections for used car prices, merited copyright protection, is not to the contrary. While *CCC* stated that "[t]he valuations themselves are original creations of Maclean [Red Book's publisher]," 44 F.3d at 67, that statement does not resolve the instant case. First, this statement is arguably dicta, as a compilation as a whole may be worthy of copyright protection even where the component parts of a compilation may be unoriginal or mere facts. *Feist*, 499 U.S. at 348, 111 S.Ct. 1282. Thus, because *CCC* found that the compilation deserved protection due to "the selection and arrangement of data," *CCC*, 44 F.3d at 67, it was not necessary to also hold that the individual estimates were copyrightable. *See Cotto v. Herbert*, 331 F.3d 217, 250 n. 20 (2d Cir.2003). Second, *CCC* is distinguishable on its facts. The used car prices in *CCC* were indeed created, they were the "editors' predictions . . . of expected values for 'average' vehicles for the upcoming six weeks in a broad region." *CCC*, 44 F.3d at 63. The values were based on assumptions about "average" cars; as these cars did not exist, there could be no actual market to discover. In contrast, settlement prices can be seen as "pre-existing facts" about the outside world which are discovered from actual market activity. Additionally, though not itself dispositive, NYMEX's customers and Clearing House treat the settlement prices as indisputable facts, whereas in *CCC* a subscriber could not rely solely on the Red Book in valuing any particular used car. *See id.* at 63-64 ("The introductory text [of the Red Book] asserts, 'You, the subscriber, must be the final judge of the actual value of a particular vehicle. Any guide book is a supplement to and not a substitute for expertise in the complex field of used vehicle valuation.' "). Similarly, *CDN Inc. v. Kapes*, 197 F.3d 1256, 1260 (9th Cir.1999), cited by NYMEX, is distinguishable because the prices for collectible coins in that case were estimates, not discovered market facts.

characterized, there is one proper settlement price; other seemingly-accurate prices are mistakes which actually overvalue or undervalue the futures contract. After all, as NYMEX's Executive Vice President and Chief Operating Officer has stated, NYMEX's settlement prices are heavily relied upon because they "reflect actual trades," not mere sentiment.[6]

That said, characterizing the Committee's task as discovery, even for high-volume months, is disputable. The analogy to the census taker is not perfectly apt because the discovery of a settlement price is a more abstract concept than the discovery of a population figure; an economic reality is certainly less tangible than a population reality. For example, with sufficiently precise tools we could perhaps measure the population of a metropolis, whereas it is not clear that we could ever precisely calculate the appropriate valuation of a particular futures contract.

The characterization inquiry is even more difficult for low-volume months, particularly at the summary judgment stage. We recognize that settlement prices are

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6. While NYMEX now argues that settlement prices are merely opinion, we note that NYMEX itself treats the prices as news of the day. Within minutes of determining the settlement prices it disseminates them to its internal Clearing House. In turn, the Clearing Members calculate customers' margins based on the settlement prices. NYMEX also provides the prices to newspapers which publish them alongside other market facts. All customers with NYMEX accounts are bound by NYMEX's calculation.

determined for 32 or 33 months of crude oil futures contracts and 72 months of natural gas futures contracts every day. There is generally less trading in contracts for the outer months. It may be the case that there is a material factual dispute whether, for certain outer months, there is so little trading that there is no real market to speak of. Where there is no market the Committee's work appears closer to creation, to making "predictions . . . of expected values." *CCC*, 44 F.3d at 63. For such months, then, we are particularly reluctant to hold, as a matter of law, that the Committee is discovering the settlement prices.[7] In any event, it is unnecessary to resolve this question and we instead affirm because even if NYMEX creates the settlement prices, NYMEX's claim fails due to application of the merger doctrine, as explained below.

## III.

Assuming that the settlement prices are created and not discovered, we consider whether the merger doctrine should be applied to withhold copyright protection.[8] "It

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7. This is not to say that summary judgment is necessarily inappropriate in resolving whether the task is one of discovery or creation. Indeed, it will generally be the case that such characterizations can be made as a matter of law.

8. "In this circuit, consideration of the merger doctrine takes place in light of the alleged copying to determine if infringement has occurred, rather than in analyzing the copyrightability of the original work." *CCC*, 44 F.3d at 72 n. 26.

(Cont'd)

has been long accepted that copyright protection does not extend to ideas; it protects only the means of expression employed by the author." *CCC*, 44 F.3d at 68; *see also* 17 U.S.C. § 102(b) ("In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work."). Because "ideas are too important to the advancement of knowledge to permit them to be under private ownership," and because "open public debate, which is essential to a free democratic society, requires free access to the ideas to be debated," ideas cannot be copyrighted. *CCC*, 44 F.3d at 69. Instead, "only the manner of [an idea's] 'expression' " is copyrightable. *Id.*

To ensure free access to ideas, courts have applied the merger doctrine such that "even expression is not

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(Cont'd)

Thus, we can only reach this analysis if we assume that settlement prices merit copyright protection. Having assumed that the prices are copyrightable, we consider the alleged copying in determining whether to apply the merger doctrine. *See id.*; *Kregos v. Associated Press*, 937 F.2d 700, 705 (2d Cir.1991). We think the district court should not have collapsed these two inquiries. Nonetheless, we can affirm based on the ample record evidence regarding the nature of ICE's copying, making remand unnecessary. *See Prisco v. A & D Carting Corp.*, 168 F.3d 593, 610 (2d Cir.1999) (noting that we may "affirm the judgment of the district court on any basis for which there is a record sufficient to permit conclusions of law" (internal quotation marks omitted)).

protected in those instances where there is only one or so few ways of expressing an idea that protection of the expression would effectively accord protection to the idea itself." *Kregos v. Associated Press*, 937 F.2d 700, 705 (2d Cir.1991); *see also* 4-13 Nimmer § 13.03[B][3] (explaining that "courts have invoked the merger doctrine" where "rigorously protecting the expression would confer a monopoly over the idea itself, in contravention of the statutory command"). We must exercise "considerable care," in analyzing merger: "if the merger doctrine is applied too readily, arguably available alternative forms of expression will be precluded; if applied too sparingly, protection will be accorded to ideas." *Kregos*, 937 F.2d at 705.

We begin by identifying the "idea" that might be merging with its expression. The district court stated that the idea is "the price of a particular futures contract at the close of trading." *NYMEX*, 389 F.Supp.2d at 541. NYMEX disputes this approach and argues that the idea is "that a sound and reasonable opinion of fair market value for each NYMEX contract as of the close of open outcry trading on the NYMEX floor each day may be achieved by assessing trades, bids, and offers and (in various instances) off exchange information, particularly developed late in the trading day." The United States disagrees, and argues instead that a "settlement price is the expression of a much more specific idea, for example, that a Henry Hub natural gas futures contracts is worth $25 dollars [sic] at the end of a given day."

Even if we accept NYMEX's formulation, however, the expression here merges with the idea. In this Circuit, we look at the range of possible expressions and consider whether all possible expressions are so "substantially similar" that granting the copyright would bar others from expressing the underlying idea.[9] *Hart v. Dan Chase Taxidermy Supply Co., Inc.*, 86 F.3d 320, 322 (2d Cir.1996). To survive summary judgment, then, NYMEX must demonstrate that the range of possible settlement prices is broad enough that any possible expression will not "necessarily be 'substantially similar.' " *Id.*

It cannot meet that burden. NYMEX is not seeking a copyright in the process whereby settlement prices

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9. While we have stated, in dicta, that "if there is *just one way* to express an idea, the idea and expression are said to merge," *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 111 (2d Cir.2001) (emphasis added), *Kregos*, 937 F.2d at 705, made clear that the merger doctrine may be applied "where there is only one or so few ways of expressing an idea that protection of the expression would effectively accord protection to the idea itself." Indeed, we have never foreclosed application of the merger doctrine when there was a limited number of expressions of the idea, albeit greater than one. *Cf. Merkos L'Inyonei Chinuch, Inc. v. Otsar Sifrei Lubavitch, Inc.*, 312 F.3d 94, 99 (2d Cir.2002) (holding that "the merger argument is inapposite to the context presented here" because "the art of translation involves choices among *many possible means* of expressing ideas" (emphasis added)). We need not determine how many expressions would be too many for application of the merger doctrine. The appropriate inquiry focuses not on the exact quantity of possible expressions but on the effect of granting copyright protection; we ask whether "protection of expression would inevitably accord protection to an idea." *Yurman Design*, 262 F.3d at 112.

are created.[10] Instead, the "fair market value for each NYMEX contract" is expressed as a settlement price, and it is these prices that NYMEX seeks to bar ICE from using. It is undisputed that all possible expression takes the same form, a number. The question then becomes the possible range of that number. Because any settlement price for a particular futures contract would be determined based on the same underlying market facts, any dissension would be exceptionally narrow. While NYMEX contends that there are "numerous possible variations . . . as to what the Settlement Prices should be," it has not demonstrated a range of possible variations that would preclude application of the merger doctrine. *See Colavito v. N.Y. Organ Donor Network, Inc.*, 486 F.3d 78, 81 (2d Cir.2007) ("A party may not defeat a Rule 56 motion based on conjecture alone."). Instead, the record merely demonstrates that, at times, Committee members have disagreed on the exact settlement price. To grant NYMEX copyright protection here "would effectively accord protection to the idea itself," *Kregos*, 937 F.2d at 705, and bar ICE or other competitors from valuing NYMEX's contracts. We decline to do so.

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10. NYMEX disclaims any protection in the "building block ideas" of a settlement price; ICE is free to use the "abstract idea of making a judgment to reach its own opinion as to the end-of-day values of NYMEX contracts," or even "the concept that a weighted average price be used for the most actively traded month or two or a 10% criteria be used to determine which one or two months will use the weighted average."

Furthermore, policy considerations weigh heavily in determining the appropriate application of the merger doctrine. *See CCC*, 44 F.3d at 72 (noting that "*Kregos*, [937 F.2d 700] . . . makes a policy judgment as between two evils," and withholding application of the merger doctrine where "[u]nbridled application of the merger doctrine would undo the protection the copyright law intends to accord"). "[T]he objectives of the copyright law . . . [are] to promote the advancement of knowledge and learning by giving authors economic incentives (in the form of exclusive rights to their creations) to labor on creative, knowledge-enriching works." *Id.* at 65. Without such incentives authors "might direct their energies elsewhere, depriving the public of their creations and impeding the advance of learning." *Id.* at 66. Put another way, "copyright is intended to increase and not to impede the harvest of knowledge," while also "assur[ing] contributors to the store of knowledge a fair return for their labors." *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 545-46, 105 S.Ct. 2218, 85 L.Ed.2d 588 (1985).

NYMEX needs no such incentives here. In order to establish a functioning commodities market it must have a price at which to settle open positions. Furthermore, NYMEX is required by law to record settlement prices, and it does not challenge the legality of that rule. *See* 17 C.F.R. 16.01(b)(2) ("Each reporting market shall record the following information . . . [t]he settlement price established by each reporting market or its clearing organization."). Even without copyright in its settlement prices we are confident that NYMEX will not "direct [its] energies elsewhere," *CCC*, 44 F.3d at 66, as its exchange requires settlement prices to clear contracts.

We therefore apply the merger doctrine and hold that, in using the settlement prices, ICE "took nothing more than ideas, for which the copyright law affords no protection to the author." *Id.* at 68. Because "the expression is essential to the statement of the idea, the expression [is] also . . . unprotected." *Id.*

As NYMEX cannot prevail due to application of the merger doctrine, we reach neither the district court's analysis of the short phrases doctrine nor ICE's alternative bases on which to affirm.

## IV.

Having determined that the district court correctly found that NYMEX's federal copyright claim fails, we must now consider whether the district court abused its discretion in declining to exercise supplemental jurisdiction over NYMEX's state law claims. We find that the district court acted well within the bounds of its discretion. "In general, where the federal claims are dismissed before trial, the state claims should be dismissed as well." *Marcus v. AT&T Co.*, 138 F.3d 46, 57 (2d Cir.1998). Furthermore, here the district court determined that resolving the state law claim would entail resolving additional issues of fact, *NYMEX*, 389 F.Supp.2d at 547, making dismissal of those claims after the federal claims had been dismissed particularly appropriate.

## V.

For the foregoing reasons, we hereby **AFFIRM** the judgment of the district court granting summary judgment to the defendants, denying plaintiff's cross-motion for partial summary judgment, and declining to exercise supplemental jurisdiction.

HALL, *Circuit Judge*, concurring in part.

I agree with the result reached in the majority opinion; NYMEX settlement prices do not merit copyright protection. I write separately, however, to register my disagreement with the majority's analysis in Part II of its opinion, where it asserts, unnecessarily in my view, that there exists a "strong argument" NYMEX settlement prices lack the requisite originality to qualify for copyright protection. In so doing, the majority renders dicta that contemplate heightening the standards by which we determine whether a work exhibits "some minimal degree of creativity." *Feist Publ'ns v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 345, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991). This is a step contraindicated both by our jurisprudence and by the procedural posture of this case. Because the application of the merger doctrine, as explained in Part III of the majority's opinion, makes it unnecessary for us to consider this question of originality, I concur in all but Part II of the majority's opinion.

In this case, NYMEX faced the task of meeting the originality requirement in the context of an appeal from

summary judgment. Rooted in the Constitution, the originality requirement of copyright presents an extremely low bar. *Feist*, 499 U.S. at 345-46, 111 S.Ct. 1282. To prove possession of a valid copyright, a party must show a subject is an "original work of authorship." 17 U.S.C. § 102(a); Nimmer on Copyright, § 2.03[A] (2004 ed.). The Supreme Court has emphasized that "[o]riginal, as the term is used in copyright, means only that the work was independently created by the author . . . and that it possesses at least some minimal degree of creativity." *Feist*, 499 U.S. at 345, 111 S.Ct. 1282. "To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice. The vast majority of works make the grade quite easily, as they possess some creative spark, no matter how crude, humble or obvious it might be." *Id.* (internal citations omitted); *see also Key Publ'ns v. Chinatown Today Publ'g Enters.*, 945 F.2d 509, 512-13 (2d Cir.1991).

Accordingly, to survive summary judgment on the issue of originality, NYMEX must show, in "view of the facts in a light most favorable" to it, *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986), there exists some "genuine issue as to any material fact," *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 250, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986), of whether the settlement prices contained an "extremely low . . . slight amount" of "creative spark, no matter how crude, humble or obvious." *Feist*, 499 U.S. at 345, 111 S.Ct. 1282. This combined standard is a permissive one indeed, posing a virtually non-existent bar to NYMEX's efforts to demonstrate the originality of its work.

*Appendix A*

NYMEX has vouched forcefully for the originality of its settlement prices. NYMEX asserts it uses "judgment and discretion" to create them; according to one witness, "[t]he whole thing is about opinions." Indeed, as NYMEX would have it, its Settlement Price Committee is the Shakespeare of the commodities clearing world, crafting its settlement prices like so many numeric sonnets. Naturally, ICE disagrees, and the majority largely credits, albeit in dicta, ICE's assertions. But, given the permissive originality requirement of our jurisprudence as applied on appeal from summary judgment, I cannot so easily accept that ICE has made such a "strong argument" against the originality of NYMEX's settlement prices.

The majority attempts to skirt this issue, implicitly acknowledging there may be an element of creativity in producing settlement prices, but asserting that NYMEX "is discovering facts, not creating predictions or estimates." I respectfully suggest such a rationale is mistaken for at least three reasons.

First, in supposing that NYMEX discovers, rather than creates, the settlement prices, the majority contradicts prior precedent of this Circuit. In *CCC Information Services, Inc. v. Maclean Hunter Market Reports*, 44 F.3d 61 (2d Cir.1994), we held that an individual car price valuation could be creative; the creativity lay in the integration of "a multitude of data sources, but also on professional judgment and expertise." *Id.* at 67. Settlement prices are no different; they arise from the integration of data sources (the prices

and circumstances of trades during the day), as well as professional judgment or expertise (the opinion of the Settlement Price Committee). Just as *CCC* found the creativity inhered in the creation of a valuation, not the discovery of a value, so too should we find that any creativity of NYMEX lies in the creation of the settlement price, not in discovery of a price that may or may not exist at any given point in the trading day. *See also CDN Inc. v. Kapes*, 197 F.3d 1256 (9th Cir.1999) (O'Scannlain, J.).

Second, it would appear the rationale is circular. The majority instructs that although "it is not clear that we could ever precisely calculate the appropriate valu[e]" of a futures contract, settlement prices nevertheless are unoriginal because they are discoverable facts, not creations of NYMEX. But why are the settlement prices facts, not creations? Unless I misread the majority opinion, their answer turns on the conclusion that settlement prices lack the spark of originality. In other words, the settlement prices are facts, and therefore unoriginal; they are unoriginal because they are facts. This is a tautology, to which I cannot subscribe.

Third, there is good reason to doubt one predicate of the tautology, that settlement prices are "facts." A settlement price is an "*arbitrary* price used as the basis for the settlement of contracts through a clearinghouse." *Webster's Third New International Dictionary* 2079 (2002) (emphasis added). It is "the amount . . . *treat[ed] as* the value, at the end of trading each day, of a particular futures contract for a particular commodity for future

delivery at a particular time" (Appellant's Brief, 6) (emphasis added). The settlement price does not replicate individual trades; nor does it replicate a weighted average of those trades. To the contrary, NYMEX's settlement price formula includes an override mechanism, such that even if NYMEX did know the precise "fact" of the day's weighted average, it could adjust that average to conform to what it considers, in its judgment or opinion, to be the better "arbitrary price," or "amount . . . treat[ed] as the final value." Thus, given the posture of this case, one could easily conclude that settlement prices are not preexisting facts about the world; they are evaluative opinions *created* by NYMEX. True, they derive *in part* from facts about the world, such as the prices and circumstances of trades during the day (*See* Majority Opinion at 114, n. 4). But this proves nothing; many copyright-worthy creative works derive in part from facts.

As the majority acknowledges, however, this panel need not—and, indeed, does not—reach the question of originality of settlement prices other than in dicta. Instead, the majority grounds its affirmance of the denial of copyright protection to NYMEX's settlement prices exclusively by applying the merger doctrine. Because I find the majority's analysis of the merger doctrine to be persuasive, and because its discussion of originality is unnecessary, I concur in all but Part II of the majority's opinion.

## APPENDIX B — OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK DATED SEPTEMBER 29, 2005

**UNITED STATES DISTRICT COURT**
**SOUTHERN DISTRICT OF NEW YORK**

02 Civ. 9277 (JGK)

**NEW YORK MERCANTILE EXCHANGE, INC.,**

Plaintiff/
Counterclaim-Defendant,

- against -

**INTERCONTINENTALEXCHANGE, INC.,**

Defendant/Counterclaimant.

**OPINION AND ORDER**

**JOHN G. KOELTL, District Judge:**

The defendant, IntercontinentalExchange, Inc. ("ICE"), brings this motion for summary judgment against the plaintiff, New York Mercantile Exchange, Inc. ("NYMEX") on NYMEX's claims of copyright infringement, arising under the Copyright Act of 1976, as amended, 17 U.S.C. §§ 101 *et seq.*; service mark infringement, arising under the trademark laws of the United States, 15 U.S.C. §§ 1051 *et seq.*; ICE's dilution

of the NYMEX's marks under New York General Business Law § 360-1 ("GBL"); and a state law claim of tortious interference with contract between NYMEX and GlobalView, the NYMEX-licensed vendor that provides NYMEX settlement prices to ICE.[1]

ICE argues that NYMEX's claim for copyright infringement for use of its settlement prices fails for five reasons: (1) the Copyright Office refused to register NYMEX's settlement prices, depriving the Court of subject matter jurisdiction over NYMEX's copyright claim;[2] (2) NYMEX's settlement prices are not copyrightable; (3) the Commodity Exchange Act ("CEA"), 7 U.S.C. §§ 1 *et seq.*, impliedly repeals the Copyright Act because the Commodity Futures Trading Commission ("CFTC") has the authority to regulate NYMEX's distribution of its settlement prices; (4) NYMEX cannot prove copyright infringement; and (5) ICE's use of NYMEX's settlement prices constitutes fair use.

ICE argues that NYMEX's service mark infringement claim under the federal trademark law fails because ICE's use of NYMEX's marks constitutes a fair

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1. In its motion papers, NYMEX withdrew its Third Claim for Relief based on an alleged violation of the federal Anti-Dilution statute, 15 U.S.C. 1125(c), and relied solely on the Fourth Claim for Relief alleging a violation of the GBL.

2. The parties have since stipulated that the Court has subject matter jurisdiction over the copyright infringement claim. (*See* Stipulation and Order dated Mar. 7, 2005.)

use, and NYMEX's New York State trademark dilution claim must be rejected because NYMEX cannot establish a likelihood of dilution where the relevant consumer market consists entirely of sophisticated commercial entities. Finally, ICE contends that NYMEX cannot prove tortious interference with the NYMEX-GlobalView contract because ICE had no prior knowledge of the allegedly breached portion of that contract.[3]

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3. ICE originally asserted five counterclaims and nine affirmative defenses, the second of which was that NYMEX's claims are barred because NYMEX misused the copyright laws in order to harm its principal competitor. NYMEX moved to dismiss ICE's counterclaims and Second Affirmative Defense pursuant to Fed.R.Civ.P. 12(b)(6) and 12(b)(1). The First through Fourth Counterclaims, as well as the Second Affirmative Defense, were dismissed without prejudice to replead, and the motion to dismiss the Fifth Counterclaim alleging violations of the Lanham Act was denied. *See New York Mercantile Exchange, Inc. v. Intercontinentalexchange, Inc.*, No. 02 Civ. 9277, 2003 WL 22281573, at *3 (S.D.N.Y. Aug.13, 2003).

ICE's First Amended Counterclaims then alleged four causes of action. NYMEX's motion to dismiss ICE's First Amended Counterclaims was granted with respect to ICE's First, Second, and Third Counterclaims. *See New York Mercantile Exchange, Inc. v. Intercontinental Exchange, Inc.*, 323 F.Supp.2d 559 (S.D.N.Y.2004). ICE's Fourth Counterclaim sought a declaratory judgment that NYMEX does not have a copyright in its settlement prices, or alternatively, that NYMEX cannot enforce such a copyright against ICE, or that ICE has not infringed any such copyright. *See id.* at 560. The prior Opinion and Order noted that NYMEX's motion to dismiss the

(Cont'd)

*Appendix B*

NYMEX has cross-moved for partial summary judgment on the copyrightability of NYMEX settlement prices and on its claim of tortious interference with its contract with GlobalView. For the reasons stated below, ICE's motion for summary judgment is granted while NYMEX's cross-motion is denied.

## I.

This is a case about the settlement prices of two of NYMEX's futures contracts. Unless otherwise noted, the following facts are undisputed.

### A.

Plaintiff NYMEX is the world's "largest exchange for the trading of physical commodity futures contracts"–including for physical commodities such as natural gas and light sweet crude oil–and for the trading of options on those commodity futures contracts. (Def.'s Rule 56.1 Stmt. ¶ 2; Pl.'s Rule 56.1 Counter-Stmt. ¶ 2.) NYMEX is a "Designated Contract Market" (the statutory term for a regulated futures exchange), and thus subject to the CEA and the jurisdiction of the CFTC. (Def.'s Rule 56.1 Stmt. ¶ 1; Pl.'s Rule 56.1 Counter-Stmt. ¶ 1.) Two of NYMEX's most successful futures contracts are those for Henry Hub natural gas and West Texas Intermediate

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(Cont'd)

counterclaims did not address ICE's Fourth Counterclaim relating to NYMEX's copyright claim, and therefore that counterclaim could not be dismissed. *See id.* at 561 n. 1.

("WTI") crude oil. NYMEX's Henry Hub futures contract provides for delivery of natural gas at "Henry Hub," a natural gas pipeline operating system having its principal delivery point in Erath, Louisiana. NYMEX's WTI crude oil futures contract provides for delivery of West Texas crude oil in Cushing, Oklahoma. (Def.'s Rule 56.1 Stmt. ¶ 2; Pl.'s Rule 56.1 Counter-Stmt. ¶ 2.)

As part of its operations, a department of NYMEX acts as a clearing house (the "NYMEX Clearing House") for all of the commodity futures contracts and options traded over NYMEX's exchange. (Def.'s Rule 56.1 Stmt. ¶ 3; Pl.'s Rule 56.1 Counter-Stmt. ¶ 3.) Each party who trades futures contracts or options must post an initial margin deposit as a "performance bond" with a NYMEX clearing member in the form of cash or treasury bonds as an assurance that if the trader loses on his or her trades, there will be adequate funds available to cover the losses. The individual clearing members stand behind the obligations of those who trade and clear through them, but as a last resort, the NYMEX Clearing House also stands behind each trade. (Def.'s Rule 56.1 Stmt. ¶ 4; Pl.'s Rule 56.1 Counter-Stmt. ¶ 4.) On each day on which a futures contract remains open and unexpired, the amount of the required margin deposit changes as the price of the underlying commodity-and thus the value of the contract-changes. These changes in the value of the contract are determined by reference to the end-of-day "settlement prices" for the futures contract. (Def.'s Rule 56.1 Stmt. ¶ 5; Pl.'s Rule 56.1 Counter-Stmt. ¶ 5.)

*Appendix B*

**B.**

The parties dispute how the relevant settlement prices are calculated. NYMEX uses a Settlement Price Committee ("SPC") to assist in the determination of settlement prices for each futures contract traded over NYMEX. (Def.'s Rule 56.1 Stmt. ¶ 6.) According to NYMEX, the SPC does not merely assist in determining the settlement price for each futures contract, but rather determines the settlement price, pursuant to NYMEX's rules, through a process that reflects creativity and the exercise of judgment. (Pl. Rule 56.1 Stmt. ¶ 7.) The SPC subcommittee for each type of commodity meets to determine the settlement price soon after the close of trading on NYMEX, which is 2:30 p.m. Eastern time. (Def.'s Rule 56.1 Stmt. ¶ 7.)

NYMEX Exchange Rule 6.52 governs the determination of WTI crude oil contracts settlement prices, while Rule 6.52A similarly governs settlement price determinations for Henry Hub natural gas contracts. (Def.'s Rule 56.1 Stmt. ¶ 8; Pl.'s Rule 56.1 Counter-Stmt. ¶ 8.) Paragraph (A) of Rules 6.52 and 6.52A provides that the settlement price "shall be the weighted average price (rounded to the nearest minimum fluctuation) of all outright transactions in that delivery month which occur in the closing range" where "(1) as of the opening of business for that day has more than ten percent (10%) of the total open interest for all delivery months of the futures contract and (2) for which 10% of the closing range volume in that commodity is done in that delivery month. . . ." ( *See* Pl.Ex. 1, 2.) For

the purposes of Paragraph (A) of Rules 6.52 and 6.52A, the "closing range" is defined as the last two minutes of trading at the end of each trading day, except for the last day in which a contract trades, when the closing range is the last thirty minutes of trading. (Def.'s Rule 56.1 Stmt. ¶ 10.)

ICE maintains that the weighted average price applied to the trades occurring during the closing range can be expressed in a particular mathematical formula. (Def.'s Rule 56.1 Stmt. ¶ 11.) ICE further argues that the NYMEX SPC does not itself calculate the volume weighted average price of trades that were executed in the closing range, but rather relies on a back-office computer program. (Def.'s Rule 56.1 Stmt. ¶ 12-13.) ICE contends that shortly after the close of trading, NYMEX's SPC receives a printout from NYMEX's back office staff that reports the volume weighted average prices, which the SPC adopts as the settlement prices for the indicated contracts. (Def.'s Rule 56.1 Stmt. ¶ 17.)

NYMEX argues that a mathematical formula or computer program cannot account for the judgment and discretion used in determining settlement prices, such as the discretion needed for determining whether a particular trade, despite a time stamp, should be included in the closing range. (Pl.'s Rule 56.1 Counter-Stmt. ¶ 13, 14.) NYMEX also argues that the determination of the criteria for which month(s) the settlement price is to be a weighted average price, and the determination of which inputs are made in the weighting for such month(s), is a matter of discretion,

judgment, and opinion of NYMEX and its SPC. (Pl.'s Rule 56.1 Counter-Stmt. ¶ 13.) Furthermore, NYMEX notes that certain rule provisions (Rules 6.51(A), 6.52(C), and 6.52A(D)) allow either the SPC subcommittee or the individual NYMEX staff member on that subcommittee to override the weighted average price for both the Henry Hub and WTC futures contracts. (Pl.'s Rule 56.1 Counter-Stmt. ¶ 6, 9; Pl.'s Ex. 1-2, 4.)

C.

Whatever the dispute as to the amount of discretion used by NYMEX in determining its settlement prices, there is no dispute that NYMEX disseminates its settlement prices through licensed market data vendors who distribute them for a fee or without charge to subscribers. (Def.'s Rule 56.1 Stmt. ¶ 36; Pl.'s Rule 56.1 Counter-Stmt. ¶ 36.)[4] One such vendor is GlobalView Software, Inc. ("GlobalView"), who on August 7, 2000 received from NYMEX a limited, worldwide, non-exclusive license with respect to "NYMEX Market Data"-which includes NYMEX settlement prices-pursuant to a Market Data Agreement ("MDA"). (Def.'s Rule 56.1 Stmt. ¶ 39; Pl.'s Rule 56.1 Counter-Stmt. ¶ 39; *see also* MDA, attached as Ex. 23 to Declaration of Bradley P. Smith dated Sept. 2, 2004 ("Smith Decl.").

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4. NYMEX also distributes settlement prices through its website and to certain national newspapers such as the *New York Times* and the *Wall Street Journal* for publication in the ensuing day's edition of these newspapers, although not all settlement prices are actually published. (Def's Rule 56.1 Stmt. ¶¶ 34, 35; Pl.'s Rule 56.1 Stmt. ¶¶ 34, 35.)

*Appendix B*

The MDA permits GlobalView to electronically disseminate NYMEX Market Data to its subscribers subject to the terms of the Uniform Subscriber Addendum ("USA"). (Def.'s Rule 56.1 Stmt. ¶ 40; Pl.'s Rule 56.1 Counter-Stmt. ¶ 40; *see also* MDA ¶ 3.1.) The MDA divides NYMEX Market Data into three categories: (i) Real Time NYMEX Market Data, defined as NYMEX Market Data that is redistributed to a subscriber within thirty minutes after GlobalView's receipt of such data; (ii) Intermittent Real Time NYMEX Market Data, defined as NYMEX Market Data that is redistributed more than two minutes but less than thirty minutes after GlobalView's receipt of such data; and (iii) Delayed NYMEX Market Data, defined as NYMEX Market Data that is redistributed to a Subscriber more than thirty minutes after GlobalView's receipt of such data. (Def.'s Rule 56.1 Stmt. ¶ 41; Pl.'s Rule 56.1 Counter-Stmt. ¶ 41; *see also* MDA ¶¶ 1.5.1-.3.)

The MDA states that GlobalView "will not furnish Real Time or Intermittent Real Time NYMEX Market Data to any of its Subscribers until a Uniform Subscriber Addendum (the "Addendum") . . . has been executed by the Subscriber and returned to Vendor." (MDA ¶ 3.1.) The MDA provides that "NYMEX Market Data shall be furnished to a Subscriber only in accordance with the terms of this Agreement and the Addendum," and requires a vendor to use reasonable efforts to ensure that its subscribers comply with the terms of the USA. (*See* MDA ¶ 3.1.) NYMEX alleges that GlobalView failed to comply with both Paragraph 7.8 and Exhibit C to the MDA by not reporting to NYMEX that ICE was

redistributing NYMEX settlement prices to London Clearing House.[5] Exhibit A to the MDA contains a representation by GlobalView that GlobalView was not furnishing NYMEX Market Data to any subscriber who was redistributing NYMEX Market Data to anyone by digital datafeeds. (*See* MDA Ex. A.) According to NYMEX, ICE falsely stated to GlobalView that ICE was using NYMEX settlement prices only for ICE's internal purposes. (Pl.'s Rule 56.1 Counter-Stmt. ¶ 42.)

**D.**

ICE started business operations in August 2000. Since August 2000, ICE has operated an online Internet-based platform for the trading of over-the-counter ("OTC") derivative contracts, including commodity derivative contracts. (Def.'s Rule 56.1 Stmt. ¶ 43; Pl.'s Rule 56.1 Counter-Stmt. ¶ 43.) All of the participants on ICE's trading platform are required to be "eligible commercial entities" under the CEA, which defines that term to include commercial or institutional market participants that satisfy certain requirements. (Def.'s Rule 56.1 Stmt. ¶ 44; Pl.'s Rule 56.1 Counter-Stmt. ¶ 44.) From the commencement of trading on ICE in October 2000 until March 2002, ICE offered market participants an "execution-only" (or "bilateral") facility in energy

5. Paragraph 7.8 of the MDA provides that, "Vendor will provide the information required pursuant to Exhibit C attached hereto and made a part hereof." Exhibit C attached to the MDA provides that vendors must submit certain information to NYMEX on an annual basis, including updated descriptions of the vendors' use and distribution of NYMEX Market Data.

futures, including WTI crude oil and Henry Hub natural gas, with no clearing alternative. (Def.'s Rule 56.1 Stmt. ¶ 45.) Cleared OTC contracts offered by ICE since March 2002 were cleared, not by ICE itself, but rather by London Clearing House ("LCH"). (*See* Deposition of David Goone dated Apr. 8, 2004 at 161-2 attached to Vol. II, Declaration of Herbert C. Ross, Jr. dated Nov. 12, 2004 ("Ross Decl."); Deposition of Charles Mackie dated Feb. 24, 2004 ("Mackie Dep.") at 31-35 attached to Vol. II, Ross Decl.) NYMEX alleges that from in or about March 2002 through the present, ICE has unlawfully reproduced NYMEX's settlement prices each day that NYMEX settlement prices are created, and that ICE has transmitted those reproductions on the same day to LCH for the clearing of ICE's Henry Hub natural gas and WTI crude oil OTC contracts. NYMEX contends that this process increases the commissions that ICE receives for execution services in connection with trades performed on ICE's platform. NYMEX further alleges that ICE's use of NYMEX settlement prices are not for ICE internal business purposes, and that ICE's use of NYMEX settlement prices free-rides on NYMEX's settlement prices, reputation, and goodwill each day. (Pl.'s Rule 56.1 Counter-Stmt. ¶ 45.)

According to ICE, an OTC swap is generally defined as an agreement whereby a floating price is exchanged for a fixed price over a specified period, thus allowing a buyer or seller of energy products to "lock in" a specific price and avoid the risk of floating prices. The financial purpose of an OTC transaction, therefore, is usually the same as the financial purpose of a NYMEX transaction.

(Def.'s Rule 56.1 Stmt. ¶ 46) (internal citations and quotation marks omitted). In drafting OTC swap contracts, ICE contends that market participants frequently refer to NYMEX's settlement prices. (*Id.* ¶ 47.) NYMEX concedes that market participants often provide that the parties will refer to a NYMEX settlement price to serve as the final settlement price in OTC contracts. (Pl.'s Rule 56.1 Counter-Stmt. ¶¶ 46-7.)

The International Swaps and Derivatives Association ("ISDA") provides market participants with form swap agreements that may contain explicit references to NYMEX's prices, including the terms "NATURAL GAS-HENRY HUB-NYMEX" and "OIL-WTI-NYMEX." (Def.'s Rule 56.1 Stmt. ¶ 48.) NYMEX concedes that ISDA provides a form of OTC contract in which the parties may choose to refer to a NYMEX settlement price among a number of other alternative price references to serve as the final settlement price between the parties. (Pl.'s Rule 56.1 Counter-Stmt. ¶ 48.) NYMEX does not dispute that many market participants in the energy derivatives trading industry refer to NYMEX's settlement prices for its WTI and Henry Hub futures contracts as a benchmark price in their bilateral OTC contracts. (Def.'s Rule 56.1 Stmt. ¶¶ 52, 57; Pl.'s Rule 56.1 Counter-Stmt. ¶ ¶ 52, 57.) While NYMEX alleges that the conduct of other market participants does not rise to the level of use of NYMEX settlement prices by ICE, NYMEX does not dispute that market participants trade OTC contracts that are based on NYMEX settlement prices, which are often called

"NYMEX look-alikes" in the industry. (Def.'s Rule 56.1 Stmt. ¶ 54; Pl.'s Rule 56.1 Counter-Stmt. ¶ 54.)

In facilitating bilateral OTC transactions, ICE does not make use of NYMEX settlement prices, but does use the words "New York Mercantile Exchange" and "NYMEX" to specify the final price that a particular OTC contract settles on. (Def.'s Rule 56.1 Stmt. ¶¶ 58-9; Pl.'s Rule 56.1 Counter-Stmt. ¶¶ 58-9.) The parties to an ICE swap contract agree to "swap" the price that the contract is entered into (the "fixed price") for the price of the underlying commodity at a certain date in the future (the "floating price"). Unlike NYMEX's futures contracts, ICE's Henry Hub and WTI swaps contracts are financial instruments that do not provide for physical delivery. (Def.'s Rule 56.1 Stmt. ¶ 60.) ICE's Henry Hub swap contract specifications define the floating price for that contract as "[a] price in USD per MMBtu dry equal to the monthly last settlement price for natural gas futures as made public by the New York Mercantile Exchange (N.Y.MEX) for the month of production per ISDA commodity definitions." (Def.'s Rule 56.1 Stmt. ¶ 61.) ICE's WTI swap contract specifications define the floating price for that contract as "[a] price in USD per barrel equal to the monthly last settlement price for WTI crude futures as made public by the [NYMEX] for the month of production per ISDA commodity definitions." (Def.'s Rule 56.1 Stmt. ¶ 62.) ICE's contract specifications are published on its website. (Def.'s Rule 56.1 Stmt. ¶ 63; Pl.'s Rule 56.1 Counter-Stmt. ¶ 63.) ICE contends that its use of the words "New York Mercantile Exchange" and "NYMEX" is based upon the ISDA

definitions and the practice of market participants in the energy derivatives industry. (Def.'s Rule 56.1 Stmt. ¶ 64.) NYMEX quarrels with any conclusions that could be drawn from ICE's use of the terms "New York Mercantile Exchange" and "NYMEX," but has not disputed the facts concerning ICE's use of those terms. (Pl.'s Rule 56.1 Counter-Stmt. ¶¶ 61-62, 64.)

In early 2002, ICE announced that it had entered into an understanding with LCH to provide clearing house services in connection with swaps based on Henry Hub natural gas and WTI crude oil. Trading in these contracts commenced in March 2002. (Def.'s Rule 56.1 Stmt. ¶ 65; Pl.'s Rule 56.1 Counter-Stmt. ¶ 65.) LCH, like the NYMEX Clearing House, marks-to-market all open contract positions each business day and pays or collects variation margin from the contracting parties depending on changes in market value. (Def.'s Rule 56.1 Stmt. ¶ 66.) ICE provides these prices to LCH. ICE contends that it uses NYMEX's settlement prices for Henry Hub natural gas and WTI crude oil futures contracts when determining the market prices for ICE's own swap contracts because the NYMEX settlement prices are widely accepted benchmarks. (Def.'s Rule 56.1 Stmt. ¶ 67.)

NYMEX responds that ICE reproduces and labels, as ICE's own, the NYMEX settlement prices for NYMEX's Henry Hub natural gas and WTI crude oil futures contracts. The only time that ICE allegedly changes a NYMEX settlement price is when ICE has a transaction in the same delivery month during its closing

range, and calculates a weighted average that is different from the NYMEX settlement price for the same delivery month. In such cases, ICE moves the NYMEX settlement price one "tick" (equivalent to one cent for crude oil and one-tenth of one cent for natural gas) closer to the ICE weighted average. ICE uses the result of that one-tick movement as its settlement price for that month, which it then forwards, with reproductions of the NYMEX settlement prices for the other delivery months, to LCH. LCH uses these settlement prices to clear ICE Henry Hub natural gas and WTI crude oil swap contracts. (Pl.'s Rule 56.1 Counter-Stmt. ¶¶ 66, 67.) As in the case of its bilateral contracts, ICE refers to the words "New York Mercantile Exchange" and "NYMEX" in its contract specifications on its website to describe the final price at which its Henry Hub natural gas and WTI crude oil contracts settle. (Def.'s Rule 56.1 Stmt. ¶ 68.)

ICE entered into a Proposal and a Software License with GlobalView, both dated January 17, 2002 (collectively, the "ICE-GlobalView Contract"). (Def.'s Rule 56.1 Stmt. ¶ 69; Pl.'s Rule 56.1 Counter-Stmt. ¶ 69.) ICE entered into the ICE-GlobalView Contract in order to obtain NYMEX settlement prices in connection with LCH's clearing function. (Def.'s Rule 56.1 Stmt. ¶ 70; Pl.'s Rule 56.1 Counter-Stmt. ¶ 70.) The ICE-GlobalView Contract contemplates that GlobalView will provide ICE with NYMEX settlement prices. The Proposal expressly provides that ICE may use these prices "for internal use within its database and clearing system." (Def.'s Rule 56.1 Stmt. ¶ 71; Ex. 19 to the Declaration of Bradly Smith

dated Sept. 2, 2004 ("Smith Decl."), at GV0052.) NYMEX responds that ICE did not tell GlobalView that ICE would distribute reproductions of NYMEX settlements prices to LCH, and that, in fact, ICE fraudulently misrepresented to GlobalView that NYMEX settlement prices would be used internally at ICE. ICE allegedly misled LCH by advising LCH that ICE would determine ICE settlement prices by using many sources of price information. (Pl.'s Rule 56.1 Counter-Stmt. ¶ 70.) NYMEX further alleges that by forwarding reproductions of NYMEX's settlement prices to LCH, ICE was making an external use of NYMEX's settlement prices. (Pl.'s Rule 56.1 Counter-Stmt. ¶ 71.)

During negotiations over the ICE-GlobalView Contract, GlobalView did not provide ICE with a copy of the NYMEX-GlobalView MDA. Emma Vine, a Vice President of Sales at GlobalView, stated that she did not give a copy of the agreement between NYMEX and GlobalView to ICE and that to her knowledge, no one from GobalView provided a copy to ICE. (Def.'s Rule 56.1 Stmt. ¶ 72-3; Deposition of Emma Vine dated Apr. 7, 2004 at 117 attached to Vol. II, Smith Decl. ("Vine Dep.").) Moreover, R.J. Cummings, an ICE Project Manager, and Charles Vice, CEO of ICE, each testified that they did not recall receiving a copy of the agreement between NYMEX and GlobalView. (Deposition of R.J. Cummings dated Jan. 21, 2004 at 120, attached as Ex. 30 to Vol. II, Smith Decl. ("Cummings Dep."); Vice Deposition dated Apr. 13, 2004 at 239-40, attached as Ex. 44 to Vol. II, Smith Decl.) ICE was aware, however, that GlobalView had entered into a restrictive market data

agreement with NYMEX. (Ex. 20 to Smith Decl., at ICE 0013461, ¶ 3(a).)

GlobalView told ICE that signing a Uniform Subscriber Addendum ("USA") was necessary if ICE wanted to receive Real Time Data. (Def.'s Rule 56.1 Stmt. ¶ 74; Pl.'s Rule 56.1 Counter-Stmt. ¶ 74.) GlobalView did not require ICE to sign a USA when ICE indicated that it wanted Delayed Data. (Def.'s Rule 56.1 Stmt. ¶ 75; Vine Dep. at 78; Cummings Dep. at 105-06.)[6] ICE always received NYMEX settlement prices from GlobalView on a Delayed Data basis, although NYMEX points out that ICE received NYMEX prices from another vendor on a real-time basis. (Pl.'s Rule 56.1 Counter-Stmt. ¶ 76.)

ICE has a Settlement Price Committee ("ICE SPC") that determines the settlement prices for each of ICE's Henry Hub and WTI swap contracts according to established practices. NYMEX argues that ICE's SPC for natural gas and crude oil has minimal participation and merely adopts reproductions of the NYMEX settlement process for Henry Hub and WTI futures contracts. According to NYMEX, the only time that ICE makes any change to a NYMEX settlement price is when ICE uses its "one-tick rule," as explained above. (Def.'s Rule 56.1 Stmt. ¶ 81; Pl.'s Rule 56.1 Counter-Stmt.¶ 81.)

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6. NYMEX points out that ICE did not explain to GlobalView that ICE would provide the market data to LCH. NYMEX does not point to any evidence that this was the reason GlobalView did not require a Uniform Subscriber Addendum, rather than the stated reason that the USA was not required for the receipt of Delayed Data.

*Appendix B*

Once settlement prices are calculated for ICE swap contracts, ICE transmits them to LCH, which uses them to clear the ICE swap contracts. LCH pays or deducts variation margin depending on the change in the price of a contract from the previous day. (Def.'s Rule 56.1 Stmt. ¶ 84; Pl.'s Rule 56.1 Counter-Stmt. ¶ 84.) ICE's settlement prices are made available to ICE participants on the ICE trading screen after LCH performs its clearing function. ICE participants must have a user ID and a password to access this information. (Def.'s Rule 56.1 Stmt. ¶ 85; Pl.'s Rule 56.1 Counter-Stmt. ¶ 85.) ICE alleges that it does not charge participants for access to its settlement prices. (Def.'s Rule 56.1 Stmt. ¶ 86; Pl.'s Rule 56.1 Counter-Stmt. ¶ 86.) ICE does not resell the NYMEX settlement prices or otherwise hold itself out as a vendor of NYMEX prices.[7] (Def.'s Rule 56.1 Stmt. ¶ 87.)

E.

On February 12, 2002, Christopher K. Bowen, NYMEX's Senior Vice President and General Counsel,

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7. NYMEX stresses that the vast majority of ICE settlement prices are reproductions of NYMEX settlement prices and challenges all statements by ICE that suggest that ICE determines its own settlement prices. In addition, NYMEX alleges that, by copying NYMEX's settlement prices for LCH's use and making the settlement prices available on the ICE trading screen, ICE receives increased revenues because it offers participants a clearing option on LCH and engages in the economic equivalent of selling NYMEX's settlement prices. (Pl.'s Rule 56.1 Counter-Stmt. ¶ 87.)

wrote a letter to Jeffrey Sprecher, ICE's Chief Executive Officer, which alleged that "ICE's use of NYMEX settlement prices in arriving at 'floating prices' constitutes copyright infringement. . . ." (Def.'s Rule 56.1 Stmt. ¶ 88; Pl.'s Rule 56.1 Counter-Stmt. ¶ 88.) At the time of Mr. Bowen's letter, NYMEX did not possess a copyright registration for its settlement prices, and had not applied to register those prices with the Copyright Office. (Def.'s Rule 56.1 Stmt. ¶ 89; Pl.'s Rule 56.1 Counter-Stmt. ¶ 89.)

On March 28, 2002, NYMEX's attorney, James E. Schatz submitted a number of documents to the United States Copyright Office via Federal Express, including: a letter from Mr. Schatz to Nannette Petruzzelli dated March 28, 2002 (*see* Smith Decl. Ex. 4; Deposition of James E. Schatz ("Schatz Dep. I") dated Feb. 13, 2004 at 45-47); a letter from Mr. Schatz to the Library of Congress dated March 28, 2002 (Smith Decl. Ex. 5 at 1; Schatz Dep. I at 45-47); a Form TX copyright application signed by Mr. Schatz and bearing the date March 28, 2002 (Smith Decl. Ex. 2); a document titled "Descriptive Statement for the NYMEX Database," dated March 28, 2002; and identifying material of the NYMEX Database consisting of printouts from the NYMEX Database (Smith Decl. Ex. 4 at 1). (Def.'s Rule 56.1 Stmt. ¶ 90; Pl.'s Rule 56.1 Counter-Stmt. ¶ 90.)

The subject line of Mr. Schatz's letter dated March 28, 2002 to Ms. Petruzzelli is "Application to Register the Copyright in the Multiple-File Database (Web Site)

of the New York Mercantile Exchange, Inc. ('NYMEX')". This letter states, in part:

> Per our discussion and later exchange of voice mails, we have provided the approximate number (although as exact as we could make it) of anonymous individual authors who are all members of both NYMEX "Settlement Committees" and NYMEX in Space 2b. These Settlement Committees, and their members, determine, on an every business day basis, what are called 'settlement prices' for the futures and options contracts that are traded on the NYMEX exchange. Such settlement prices are determined using NYMEX determined factors and parameters (that are original to NYMEX) and the educated judgment of Settlement Committee members. As such, settlement prices are original, educated judgments as to appropriate prices similar to the 'predictions . . . of expected values for 'average' vehicles' at issue in *CCC Information Services, Inc. v. Maclean Hunter Market Reports, Inc.*, 44 F.3d 61 (2d Cir.1994) and the 'prices which are compilations of data chosen and weighted with creativity and judgment' at issue in *CDN, Inc. v. Kapes*, 197 F.3d 1256 (9th Cir.1999).

(Def.'s Rule 56.1 Stmt. ¶ 94; Pl.'s Rule 56.1 Counter-Stmt. ¶ 94.)

*Appendix B*

In Part 1 of the March 28 Form TX submitted in connection with NYMEX's March 28, 2002 Application, the "Title of this Work" was described as "NYMEX Database." In Part 2a, the "Name of the Author" was described as "New York Mercantile Exchange, Inc." and the "Nature of Authorship" was "Original text and compilation." In Part 2b, the "Name of Author" was described as "Approximately 136 anonymous individual authors who are all members of NYMEX Settlement Committees and of NYMEX." Below that, the "Nature of Authorship" was described as "Determination of settlement prices as described in the accompanying Descriptive." (Def.'s Rule 56.1 Stmt. ¶ 95; Pl.'s Rule 56.1 Counter-Stmt. ¶ 95; Ex. 2 to Smith Decl.)

The March 28 Descriptive Statement submitted to the Copyright Office contains the following references to NYMEX's settlement prices under the heading "MARKETS SECTION":

2. Market Data

(A) Contains text and data with information regarding the standard NYMEX futures and options contracts that are traded, how trading and reporting is handled by NYMEX, and various related information including termination schedules and margin details, and a variety of data (in a variety of quote, chart and other formats) regarding trading activity, prices for transactions,

bid/asked activity and final "settlement prices" for each day of trading. Settlement prices are determined using NYMEX determined factors and parameters and educated judgment by Settlement Committees composed of NYMEX members. This text, data and information is compiled into the numerous subfiles described below by NYMEX employees.

(B) Such text, data and information is authored and/or compiled by NYMEX employees except for settlement prices which are determined by NYMEX members and compiled by NYMEX employees.

(C) Contains about 120,000 kilobytes of data.

* * *

4. Settlement Data/Futures and Options Data

This file has two major subfiles. The first is "New Format-By Commodity." This subfile provides yet another means to access the same text, data and information as contained in the Market Data file.

*Appendix B*

The second major subfile is "Data on Complete list of Exchange Contracts." The information following is for this subfile:

(A) Contains text, data and information regarding trading activity, prices for futures and options contracts transactions and final "settlement prices" for each day of trading in six subfiles as described below. Settlement prices are determined using NYMEX-selected factors and parameters and educated judgment by Settlement Committees composed of NYMEX members.

(B) Such text, data and information is authored and/or compiled by NYMEX employees except for settlement prices which are determined by NYMEX members and compiled by NYMEX employees.

(C) Contains about 1,060 kilobytes of data.

(Ex. 3 to Smith Decl. at 4-5, 6.) In the course of making NYMEX's March 28 Application to the Copyright Office, Mr. Schatz had conversations with Nanette Petruzzelli. (Def.'s Rule 56.1 Stmt. ¶ 97; Pl.'s Rule 56.1 Counter-Stmt.¶ 97.) Ms. Petruzzelli was at all relevant times the Chief of the Examining Division of the Copyright Office. (Def.'s Rule 56.1 Stmt. ¶ 98.)

NYMEX learned in April 2002 that the Copyright Office would not grant NYMEX a copyright registration in response to NYMEX's March 28 Application because that application contained an "explicit claim" of copyright in NYMEX settlement prices themselves. NYMEX was apparently aware that the Copyright Office would reject the application entirely if NYMEX maintained its assertion that NYMEX settlement prices were copyrightable. (*See* Deposition of James E. Schatz dated Feb. 13, 2004 attached as Ex. 12 to Supp. Declaration of Bradley P. Smith dated Dec. 17, 2004 ("Schatz Dep. II") at 80, 81.) Accordingly, NYMEX withdrew its initial application to the Copyright Office and replaced it with an application that did not make an express claim as to the copyrightability of NYMEX settlement prices. (Def.'s Rule 56.1 Stmt. ¶ 114; Pl.'s Rule 56.1 Counter-Stmt. ¶ 114; *see also* Schatz Dep. II at 110 (noting that NYMEX did not make explicit claims about the copyrightability of settlement prices in April 2002 application).)

On April 23, 2004, Mr. Schatz submitted various revised application documents for a second copyright application via Federal Express to the Copyright Office. (Def.'s Rule 56.1 Stmt. ¶ 115; Pl.'s Rule 56.1 Counter-Stmt. ¶ 115.) The letter from Mr. Schatz to Ms. Petruzzelli dated April 23, 2004 and the Form TX included in the Federal Express submission, made no express mention of the copyrightability of NYMEX settlement prices and did not contain the discussion about the copyrightability of settlement prices contained in the March 28 letter. (Def.'s Rule 56.1 Stmt. ¶ 116-17,

119; Pl.'s Rule 56.1 Counter-Stmt. ¶ 116-17, 119.) The April 23 Form TX lists the only author in Section 2 as the "New York Mercantile Exchange, Inc." and that the "Nature of Authorship" in Section 2 is described as "Original text and compilation."[8] (Ex. 7 to Smith Decl.) The April 23 Descriptive Statement also differs from the March 28 Descriptive Statement. (*Compare* Ex. 9 to Smith Decl. *with* Ex. 3 to Smith Decl.) The April 23 Descriptive Statement is similar to the prior Descriptive Statement but does not contain any statements made in the March 28 Descriptive Statement concerning how settlement prices are determined or whether judgment is involved in determining settlement prices. (*Id.*) NYMEX admits that it sought a copyright registration in the April 23 Application, in part, to sue ICE for its alleged copying of NYMEX settlement prices. (Def.'s Rule 56.1 Stmt. ¶ 128; Pl.'s Rule 56.1 Counter-Stmt. ¶ 128.) On April 24, 2002, the Copyright Office issued a copyright registration based on NYMEX's April 23, 2002 copyright application. (Def.'s Rule 56.1 Stmt. ¶ 130; Pl.'s Rule 56.1 Counter-Stmt. ¶ 130.)

Although the Copyright Office issued NYMEX a copyright registration for the NYMEX Database, effective April 24, 2002, ICE initially argued that the Court lacked subject matter jurisdiction to hear NYMEX's copyright infringement claim because the registration for the NYMEX Database is not a

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8. NYMEX contends that the members of NYMEX's SPC had signed work-made-for-hire agreements that made NYMEX the author of settlement prices in the NYMEX Database. (Pl.'s Rule 56.1 Counter-Stmt. ¶ 120.)

registration for NYMEX settlement prices. ICE also alleged that NYMEX had not served a notice of this action on the Copyright Office in accordance with 17 U.S.C. § 411(a), which, ICE argued, NYMEX should have done because its first application was allegedly "refused."[9]

The parties subsequently stipulated that NYMEX would serve a copy of the Amended Complaint, together with notice of this action, on the Register of Copyrights ("the Register") without prejudice to NYMEX's position that it has a valid copyright registration in NYMEX settlement prices that gives the Court subject matter jurisdiction over its copyright infringement claims. Both parties now agree that NYMEX has served a copy of the Amended Complaint on the Register and that the Court has subject matter jurisdiction over the copyright

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9. Section 411(a) of the Copyright Act established registration as a prerequisite for a copyright infringement action. It also provides that "where the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute an action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights. The Register may, at his or her option, become a party to the action with respect to the issue of registrability of the copyright claim by entering an appearance within sixty days of such service, but the Register's failure to become a party shall not deprive the court of jurisdiction to determine that issue." 17 U.S.C. § 411(a). NYMEX had argued that no notice to the Register of Copyrights was necessary because its first application was not "refused," but was in fact withdrawn.

infringement claim. (*See* Stipulation and Order dated Mar. 7, 2005.) The Register of Copyrights has submitted a Statement of Interest that opposes NYMEX's position that its settlement prices are copyrightable.

## II.

The standard for granting summary judgment is well established. Summary judgment may not be granted unless "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed.R.Civ.P. 56(c); *see also Celotex Corp. v. Catrett*, 477 U.S. 317, 322, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986); *Gallo v. Prudential Residential Servs. Ltd. P'ship*, 22 F.3d 1219, 1223 (2d Cir.1994). "[T]he trial court's task at the summary judgment motion stage of the litigation is carefully limited to discerning whether there are genuine issues of material fact to be tried, not to deciding them. Its duty, in short, is confined at this point to issue-finding; it does not extend to issue-resolution." *Gallo*, 22 F.3d at 1224. The moving party bears the initial burden of informing the district court of the basis for its motion and identifying the matter that it believes demonstrates the absence of a genuine issue of material fact. *Celotex*, 477 U.S. at 323, 106 S.Ct. 2548. The substantive law governing the case will identify those facts that are material and "only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment."

*Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986); *see also Consol. Edison, Inc. v. Northeast Utilities*, 332 F.Supp.2d 639, 642 (S.D.N.Y.2004).

Summary judgment is appropriate if it appears that the non-moving party cannot prove an element that is essential to the non-moving party's case and on which it will bear the burden of proof at trial. *See Cleveland v. Policy Mgt. Sys. Corp.*, 526 U.S. 795, 805-06, 119 S.Ct. 1597, 143 L.Ed.2d 966 (1999); *Celotex*, 477 U.S at 322, 106 S.Ct. 2548; *Powell v. Nat. Bd. of Med. Exam'rs*, 364 F.3d 79, 84 (2d Cir.2004). In determining whether summary judgment is appropriate, a court must resolve all ambiguities and draw all reasonable inferences against the moving party. *See Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986) (citing *United States v. Diebold, Inc.*, 369 U.S. 654, 655, 82 S.Ct. 993, 8 L.Ed.2d 176 (1962)); *see also Gallo*, 22 F.3d at 1223. Summary judgment is improper if there is any evidence in the record from any source from which a reasonable inference could be drawn in favor of the nonmoving party. *See Chambers v. T.R.M. Copy Ctrs. Corp.*, 43 F.3d 29, 37 (2d Cir.1994). If the moving party meets its initial burden of showing a lack of a material issue of fact, the burden shifts to the nonmoving party to come forward with "specific facts showing that there is a genuine issue for trial." Fed.R.Civ.P. 56(e). The nonmoving party must produce evidence in the record and "may not rely simply on conclusory statements or on contentions that the affidavits supporting the motion are not credible."

*Ying Jing Gan v. City of New York*, 996 F.2d 522, 532 (2d Cir.1993); *see also Scotto v. Almenas*, 143 F.3d 105, 114-15 (2d Cir.1998); *Consol. Edison*, 332 F.Supp.2d at 643; *see also Garvin v. Potter*, 367 F.Supp.2d 548, 553-54 (S.D.N.Y.2005).

## III.

ICE argues that NYMEX's copyright infringement claim should be rejected because, among other reasons, NYMEX cannot show that the settlement prices are copyrightable. NYMEX cross-moves for partial summary judgment on the copyrightability of the settlement prices. The Register of Copyrights has also entered in a statement of interest, arguing that NYMEX's settlement prices are not copyrightable.

### A.

NYMEX contends that its individual settlement prices constitute copyrightable subject matter because NYMEX settlement prices are creative works of NYMEX and its SPC.[10] Both the Register and ICE respond that NYMEX settlement prices are not copyrightable based on the merger doctrine. Under the merger doctrine, "if there is just one way to express an idea, the idea and expression are said to merge, and the

10. The parties dispute the extent that NYMEX and its SPC use creativity and the exercise of judgment in determining the settlement prices. For purposes of this motion for summary judgment, the Court need not determine the degree of creativity that goes into the setting of individual prices.

expression is not protectable" under the copyright laws. *Yurman Design, Inc. v. PAJ, Inc.*, 262 F.3d 101, 111 (2d Cir.2001). "The test is whether protection of expression would inevitably accord protection to an idea." *Id.* (internal citation and quotation marks omitted). In this case, the idea embodied by NYMEX individual settlement prices – the price of a particular futures contract at the close of trading – can only be expressed as a number.

It is a well-established that copyright "protection is given only to the expression of the idea-not the idea itself." *Mazer v. Stein*, 347 U.S. 201, 217, 74 S.Ct. 460, 98 L.Ed. 630 (1954). By statute, "In no case does copyright protection . . . extend to any idea, procedure, process, system, [or] method of operation . . . regardless of the form in which it is described, explained, illustrated, or embodied. . . ." 17 U.S.C. § 102(b).

Similarly, facts themselves, just as ideas, cannot be protected by copyright. As the Supreme Court explained: "That there can be no valid copyright in facts is universally understood. The most fundamental axiom of copyright law is that no author may copyright his ideas or the facts he narrates." *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340, 344-345, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991) (internal citation, alteration, and quotation marks omitted). The Supreme Court further instructed that: "[C]opyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work. This principle, known

as the idea/expression or fact/expression dichotomy, applies to all works of authorship." *Id.* at 349-50, 111 S.Ct. 1282 (internal citation omitted).

Moreover, to protect the free exchange of ideas, courts have also recognized that when expression is essential to conveying an idea, the expression of that idea will not be copyrighted because the expression has merged with the unprotectable idea. The Second Circuit Court of Appeals has explained that "in order to protect the immunity of ideas from private ownership, when the expression is essential to the statement of the idea, the expression also will be unprotected, so as to insure free public access to the discussion of the idea." *CCC Info. Servs., Inc. v. Maclean Hunter Mkt. Reps, Inc.*, 44 F.3d 61, 68 (2d Cir.1994).

In this case, NYMEX argues that there is no single "correct" settlement price for any delivery month. Rather, NYMEX alleges that its settlement prices are the result of the judgment and discretion of its SPC, which sets the standards used to determine the settlement prices and can influence the establishment of NYMEX settlement prices. At oral argument, for example, NYMEX denied that a NYMEX settlement price is a fact and urged the Court to consider a NYMEX settlement price as a "creative copyrightable work" that, even after publication, does not "convert into a fact." According to counsel for NYMEX: "[A NYMEX settlement price] never loses its status [as copyrightable]. What is done with it, what we permit to be done with it, that's something else again. It does not

become a fact. It retains its copyright status." (Tr. dated Feb. 18, 2005 at 49.)

The argument that NYMEX settlement prices do not embody facts is without merit. The numerical settlement price that arises from NYMEX's judgment and discretion reflects no more than a pure fact or idea of the present price of a futures contract. Regardless of the level of judgment and creativity involved in determining each NYMEX settlement price, there is plainly only one settlement price for any given Henry Hub or WTI futures contract that is used by NYMEX to clear such contracts at a given time. As NYMEX is a "Designated Contract Market," the NYMEX settlement prices are widely publicized and used as benchmarks by market participants. NYMEX settlement prices are thus real-world facts used by commodities traders to value their open positions and trigger margin calls or margin reductions. The NYMEX settlement prices function as the actual price at which a futures contract must be settled or a commodity delivered by market participants.

Moreover, because NYMEX's settlement prices are the actual prices and are the only way to express the idea of a settlement price stated in numbers – the expression of the price is therefore not sufficiently distinct from the idea of the price to warrant copyright protection. The Court of Appeals for the Sixth Circuit recognized this principle in rejecting an effort to extend copyright protection to transmission part numbers: "The mere fact that numbers are attached to, or are a by-product of categories and descriptions that are

copyrightable does not render the numbers themselves copyrightable." *ATC Distribution Group, Inc. v. Whatever It Takes Transmissions & Parts, Inc.*, 402 F.3d 700, 708-09 (6th Cir.2005) (citing *Southco, Inc. v. Kanebridge Corp.*, (" *Southco I* ")), 258 F.3d 148, 151 & n. 5 (3d Cir.2001).

NYMEX relies heavily on the decision by the Second Circuit Court of Appeals in *CCC*, 44 F.3d 61, which withheld application of the merger doctrine and found copyright protection for compilations of used car values. *CCC* is distinguished from the present case.

In *CCC*, the Second Circuit Court of Appeals held that a compendium of used car valuations was copyrightable. *See CCC*, 44 F.3d at 72. According to the *CCC* court: "the takings by CCC from the Red Book are of virtually the entire compendium ... The copying is so extensive that CCC effectively offers to sell its customers Maclean's Red Book through CCC's data base." *Id.* Under *CCC*, the wholesale copying of compilation prices was barred. Moreover, the used car valuations in the *CCC* compilation were recognized to be "no more than predictions" of the editors of the Red Book, *id.* at 73, and each subscriber was "the final judge of the actual value of a particular vehicle." *Id.* at 63.

It is true that, in the course of its opinion, the Court of Appeals noted that the individual valuations were original creations. *Id.* at 67. However, in order to overcome the idea/expression argument, the Court of Appeals relied on the wholesale copying of the

compilation as the infringing activity. It was the compilation that was protected. In this case, NYMEX did not seek a copyright registration for a compilation and does not rely on the concept of compilations to protect its settlement prices. (Tr. Of Feb. 18, 2005 at 45-46.) Therefore, *CCC* does not support NYMEX's argument.[11]

In this case, in contrast to *CCC*, ICE does not engage in wholesale copying and sale of NYMEX settlement prices, but rather, uses NYMEX settlement prices solely as the established benchmarks in the energy trading industry to facilitate the clearing of its own OTC swaps. Moreover, NYMEX is the final judge of the settlement prices that market participants to a NYMEX-based contract will use to value their positions and mark-to-market. NYMEX settlement prices are a matter of basic market fact, and therefore, they are not copyrightable. *See Kregos v. Associated Press*, 937 F.2d 700, 707 (2d

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11. NYMEX also relies upon *CDN Inc. v. Kapes*, 197 F.3d 1256 (9th Cir.1999). In that case, the Court of Appeals for the Ninth Circuit relied upon *CCC* and found that prices in a wholesale price guide for collectable coins were subject to copyright protection. The Court of Appeals cited compilation cases such as *CCC* and *Feist*, but analyzed the creativity of individual prices. That case cannot be dispositive here because NYMEX has disclaimed reliance on the compilation cases and there is no reasonable way to find that NYMEX settlement prices can survive a fact/expression or idea/expression analysis. As the Register of Copyright argues, if the Ninth Circuit's decision in *CDN* can be read to suggest that an individual price valuation is copyrightable, it is an unsupportable extension of copyright.

Cir.1991) ("[W]here a selection of data is the first step in an analysis that yields a precise result or even a better-than-average probability of some result, protecting the 'expression' of the selection would clearly risk protecting the idea of the analysis.")

Because NYMEX's idea of the settlement price and the fact of the settlement price used by market participants cannot be distinguished from its expression, the merger doctrine applies in this case. Accordingly, NYMEX's claim against ICE for copyright infringement of NYMEX settlement prices, which are not copyrightable, must be dismissed.

**B.**

The Register also contends that the extent to which NYMEX settlement prices constitute a creative work is irrelevant because NYMEX settlement prices are also non-copyrightable words or short phrases.

The Copyright Office's long-standing practice is to deny copyright protection to words and short phrases,[12]

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12. The Copyright Office's practice of denying registration to words and phrases dates back to at least 1899. *See Southco II*, 390 F.3d at 285-86. (citation omitted) The Copyright Office has also issued Circular No. 46, "Copyright for Commercial Prints or Labels." (*See* Declaration of AUSA Nicole Gueron dated May 25, 2005, Ex. C.) The Circular provides that, "to be entitled to copyright protection, a work must contain a substantial amount of original text or pictorial material." Thus, "Brand names, trade names, slogans, and other short phrases or expressions cannot be copyrighted, even if they are distinctively arranged or printed." (*Id.*)

and courts have found that the policies and interpretation of the Office are entitled to deference. *See Southco, Inc. v. Kanebridge Corp.*, (" *Southco II* "), 390 F.3d 276, 286-87 n. 5 (3d Cir.2004) (deferring to views of Copyright Office regarding short phrases because "[a]t a minimum, the practice of the Copyright Office reflects a 'body of experience and informed judgment to which courts and litigants may properly resort for guidance.' " (internal citation omitted)). By its regulations, the Copyright Office has determined that certain material, including words and short phrases, are not subject to copyright. *See* 37 CFR § 202.1. This regulation concerning single words and short phrases was endorsed by the Court of Appeals for the Second Circuit. *Kitchens of Sara Lee, Inc. v. Nifty Foods Corp.*, 266 F.2d 541, 544 (2d Cir.1959); *see also Arica Institute, Inc. v. Palmer*, 970 F.2d 1067, 1072 (2d Cir.1992) (denying copyrightability as to single words or short phrases which do not exhibit the minimal creativity required for copyright protection). Relying on the short phrases regulation, the Register of Copyrights has refused to register copyrights in short sets of numbers-such as the numbers ascribed to tool parts-because they do not "constitute[ ] copyrightable subject matter." 17 U.S.C. § 410. The Third and Sixth Circuit Courts of Appeals have agreed with the conclusion that short sets of numbers are not entitled to copyright protection, and have denied copyright protection to part numbers. *See ATC Distribution Group*, 402 F.3d at 708-10 (transmission part numbers not eligible for copyright protection); *Southco II*, 390 F.3d at 285-86 (toolpart numbers excluded from copyright protection "because they are analogous to short phrases or the titles of

works."); *accord Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1524 n. 7 (9th Cir.1993) (20-byte initialization code is de minimus length and likely a word or short phrase not protected by copyright law pursuant to 37 CFR § 202.1(a).)

In this case, NYMEX attempts to distinguish *Southco* and *ATC Distribution Group* by arguing that those cases involve materially different facts and are thus inapposite. *Southco* involved the copyright protection of numbers ascribed to parts (fasteners) manufactured by the plaintiff, but no creativity was claimed as to the numbers themselves, and the majority noted that "if any creativity were allowed to creep into the numbering process, the system would be defeated" and thus, the numbers themselves are generated by a mechanical application of the rules and do not reflect even a spark of creativity. *Southco II*, 390 F.3d at 282-83. *ATC Distribution Group* involved the same type of numbering of parts without creative input in assigning the numbers. NYMEX argues that, in contrast to both cases, NYMEX settlement prices reflect significant creativity.

However, NYMEX's distinctions do not relate to those portions of *Southco II* and *ATC Distribution Group* which found short phrases to fall outside the protection of copyright law. NYMEX's distinctions go to the issue of whether the prices were sufficiently original to warrant copyright registration, not to whether they were unprotectable short phrases. The reasoning in *ATC Distribution Group* and *Southco II* denying copyright protection for parts numbers applies

with equal force to NYMEX settlement prices. A price expressed in dollars is recognized to be a form of "expression dictated solely at functional considerations." *CMM Cable Rep, Inc. v. Ocean Coast Properties, Inc.*, 97 F.3d 1504, 1519 (1st Cir.1996). If a NYMEX settlement price in dollars constituted copyrightable subject matter, public conduct would be limited, regardless of the use of the price and regardless of the context. *See Southco II*, 390 F.3d at 286; *ATC Distribution Group*, 402 F.3d at 709. Although the fair use doctrine might be used to protect users who had used the copyrighted price, it would be highly inefficient to litigate over the use of the price. *See SmithKline Beecham Consumer Healthcare, L.P. v. Watson Pharmaceuticals, Inc.*, 211 F.3d 21, 29 n. 5 (2d Cir.2000) (describing use of copyright protection in text as means to leverage control over an uncopyrightable product and to harass competitors); *Southco II*, 390 F.3d at 286; *ATC Distribution Group*, 402 F.3d at 709. Accordingly, the short phrase analysis provides an additional and compelling basis for the conclusion that NYMEX's settlement prices are non-copyrightable and that NYMEX's claim for copyright infringement must be dismissed.[13]

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13. Because NYMEX's settlement prices are not copyrightable, the Court does not address ICE's additional arguments that the CEA impliedly repealed the Copyright Act in the context of this action, or that ICE is engaged in non-infringing fair use of NYMEX settlement prices. Nor does the Court reach the issue of the effect of ICE's activity, if any, on NYMEX's ability to sell its real-time pricing data.

## IV.

NYMEX's Second Claim for Relief alleges violations of the Trademark laws of the United States, in particular, 15 U.S.C. §§ 1114(1) and 1125(a). There is no dispute that NYMEX owns various service mark registrations for the service marks NYMEX and NEW YORK MERCANTILE EXCHANGE. Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1), generally protects registered marks against unauthorized use where such use is likely to cause confusion. Similarly, section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1), prohibits any misrepresentation likely to cause confusion about the source of a product or service. Section 43(a) protects unregistered trademarks similar to the way that section 32(1) protects registered marks. *See Chambers v. Time Warner, Inc.*, 282 F.3d 147, 155 (2d Cir.2002).

Both sections 32(1) and 43(a) are subject to a defense of "fair use," and particularly, a defense that the use of the marks is a "nominative" or "descriptive" use of the marks to describe an aspect of the defendant's products or services. *See EMI Catalogue P'ship v. Hill, Holliday, Connors, Cosmopulos Inc.*, 228 F.3d 56, 65 (2d Cir.2000) (fair use defense to a section 43(a) claim); *Nihon Keizai Shimbun, Inc. v. Comline Business Data, Inc.*, 166 F.3d 65, 73-74 (2d Cir.1999) (fair use defense to a section 32(1) claim); *see also* 15 U.S.C. § 1115(b)(4) (fair use defense to use of an uncontestable registered mark where use of the mark is "a use, otherwise than as a mark, . . . which is descriptive of and used fairly and in good faith only to describe the goods or services. . . ."). As the Court of

Appeals for the Second Circuit explained, "fair use permits others to use a protected mark to describe aspects of their own goods." *Nihon Keizai Shimbun*, 166 F.3d at 73 (internal citation and quotation marks omitted).

ICE uses the marks NYMEX and NEW YORK MERCANTILE EXCHANGE in its product specifications to describe the source of the final settlement price for its OTC derivative contracts for Henry Hub natural gas and WTI crude oil. (Smith Decl. Ex. 24.) For example, NYMEX points to the title of ICE's cleared OTC contract for natural gas as "Natural Gas Swaps, Fixed for NYMEX LD1." (*Id.* at 2.) Because ICE uses NYMEX marks merely to describe economic aspects of its OTC derivative contracts, ICE's use of NYMEX's marks constitutes fair use of those marks. *See EMI Catalogue P'ship*, 228 F.3d at 65 ("Where a mark incorporates a term that is the only reasonably available means of describing a characteristic of another's goods, the other's use of that term in a descriptive sense is usually protected by the fair use doctrine."); *Nihon Keizai Shimbun*, 166 F.3d at 73-74 (holding that defendant's use of the "Nikkei" mark to describe the source of defendant-created news abstracts was fair use of Nikkei's trademark); *Mattel, Inc. v. Azrak-Hamway Intern., Inc.*, 724 F.2d 357, 361 (holding that the fair use defense "allows a competitor to use another's registered trademark to describe aspects of one's own goods").

NYMEX does not challenge the fact that ICE is using NYMEX's marks only to describe aspects of certain of ICE's OTC contracts. NYMEX does not point to any evidence of ICE's bad faith in describing its use of NYMEX settlement prices. The term NYMEX is plainly used to describe the source of settlement prices.

NYMEX asserts that the fair use defense is not available if ICE's use "creates a likelihood of confusion." This assertion is wrong as a matter of law, and, in any event, there is no evidence of such a likelihood of confusion. In *Cosmetically Sealed Industries, Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 28, 30 (2d Cir.1997), the Second Circuit Court of Appeals held that "[f]air use is a defense to liability under the Lanham Act even if a defendant's conduct would otherwise constitute infringement of another's trademark." Two years later in *Nihon Keizai Shimbun,* the Second Circuit Court of Appeals reversed a judgment of trademark infringement on the ground that the defendant's use of the trademark was fair use, notwithstanding the district court's determination that a likelihood of confusion existed. 166 F.3d at 73-74. More recently, the Supreme Court resolved a split among the Circuit courts and held that in a trademark infringement action alleging infringement of a registered mark, "mere risk of confusion will not rule out fair use" and "the defendant has no independent burden to negate the likelihood of any confusion in raising the affirmative defense" of fair use under 15 U.S.C. § 1114(b)(4). *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 125 S.Ct. 542, 550-51, 160 L.Ed.2d 440 (2004). The Supreme Court

stated that "some possibility of consumer confusion must be compatible with fair use." *Id.* at 550.

The only two cases that NYMEX relies upon to argue that likelihood of confusion prevents the application of the fair use defense do not rule on the applicability of the fair use defense. *See Charles of the Ritz Group, Ltd. v. Quality King Distributors, Inc.*, 832 F.2d 1317 (2d Cir.1987); *Weight Watchers Int'l, Inc. v. Stouffer Corp.*, 744 F.Supp. 1259 (S.D.N.Y.1990). Both cases predate the Second Circuit Court of Appeals' 1997 and 1999 rulings in *Cosmetically Sealed Industries* and *Nihon Keizai Shimbun*, as well as the Supreme Court's decision in *KP Permanent Make-Up*.

Moreover, NYMEX has not raised any issue of material fact that a likelihood of confusion exists. NYMEX acknowledges that all of the participants on ICE's trading platform are "eligible commercial entities" under the CEA. (*See* Pl.'s Rule 56.1 Counter-Stmt. ¶ 44.) Because these entities are sophisticated commercial or institutional organizations with substantial assets under management, *see* 7 U.S.C. § 1a(11), these customers are not likely to believe that ICE's OTC derivative contracts are sponsored or endorsed by NYMEX because ICE refers to a NYMEX final settlement price to describe contract specifications. These sophisticated commercial entities are less likely than untrained consumers to be misled or confused by the similarity of different marks. *See Virgin Enters., Ltd. v. Nawab*, 335 F.3d 141, 151 (2d Cir.2003).

Finally, NYMEX offered no evidence that ICE's descriptive use of the NYMEX mark created actual customer confusion. The deposition testimony of two witnesses offered by NYMEX, Charles Mackie and J. Robert Collins, establishes only that, when ICE began offering cleared contracts, some customers assumed that NYMEX provided the clearing services. The source of this confusion was explained as "really just ignorance" (Deposition of Charles Mackie dated Jan. 24, 2004 ("Mackie Dep.") at 93, attached at Vol. II, Ross Decl.), and may likely have been caused by the similarity of the products offered by ICE and NYMEX and the complexities that are generally involved in the energy trading industry, rather than as the result of ICE's descriptive use of the NYMEX mark. (Deposition of J. Robert Collins dated Jan. 10, 2004 ("Collins Dep.") at 213, 215, attached to Vol. II, Ross Decl.) Neither witness testified about any danger of ongoing confusion due to ICE's use of the NYMEX mark, but testified only to confusion in the period, in the spring or summer of 2002, when ICE began to offer OTC cleared contracts. (Mackie Dep. at 92-93,; Collins Dep. at 210.)

Therefore, summary judgment should be entered dismissing NYMEX's Second Claim for Relief.

V.

The Fourth and Fifth Claims for Relief allege causes of action arising under New York State law. ICE seeks summary judgment dismissing NYMEX's Fourth Claim for Relief, which alleges that ICE's use of NYMEX's

marks in its OTC derivative contracts violates the New York State anti-dilution statute, GBL § 360-l. ICE and NYMEX have both moved for summary judgment in their favor on NYMEX's Fifth Claim for Relief, namely, that ICE tortiously interfered with the Market Data Agreement ("MDA") between NYMEX and GlobalView.[14] Because all of the federal claims are dismissed, the Court declines to exercise supplemental jurisdiction over these purely state law claims. *See* 28 U.S.C. § 1367(c)(3); *Valencia ex rel. Franco v. Lee*, 316 F.3d 299, 304-06 (2d Cir.2003). It is particularly appropriate to decline supplemental jurisdiction over the remaining state law claims because they raise issues of fact that are unnecessary to resolve for purposes of deciding the federal claims. The Fourth and Fifth Claims for Relief are therefore dismissed without prejudice.

## CONCLUSION

For the reasons explained, ICE's motion for summary judgment is **granted**, and NYMEX's cross-motion for summary judgment is **denied**. The Clerk is directed to enter judgment and to close this case.

**SO ORDERED.**

Dated: New York, New York
September 29, 2005

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14. NYMEX has withdrawn its Third Claim for Relief in its amended complaint alleging that ICE violated the Federal Anti-Dilution statute, 15 U.S.C. § 1125(c).

*Appendix B*

s/ John G. Koeltl
John G. Koeltl
United States District Judge

## APPENDIX C — ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT DENYING PETITION FOR REHEARING FILED OCTOBER 18, 2007

### UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Date:

Docket Number: 05-5585-cv

Short Title: NY Mercantile, Inc. v. IntercontinentalEx.

DC Docket Number: 02-cv-9277

DC: SDNY (NEW YORK CITY)

DC Judge: Honorable John Koeltl

At a stated term of the United States Court of Appeals for the Second Circuit, held at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, in the City of New York, on the 18 day of October two thousand seven.

New York Mercantile Exchange, Inc. v.
IntercontinentalExchange, Inc.

A petition for panel rehearing and a petition for rehearing en banc having been filed herein by the appellant New York Mercantile Exchange, Inc. Upon consideration by the panel that decided the appeal, it is Ordered that said petition for rehearing is **DENIED**.

*Appendix C*

It is further noted that the petition for rehearing en banc has been transmitted to the judges for the court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

For the Court:
Catherine O'Hagan Wolfe, Clerk

By: s/ Joy Fallek
Motion Staff Attorney

# APPENDIX D — EXCERPTS OF RELEVANT STATUTES AND CONSTITUTIONAL PROVISION

## 17 U.S.C.A. § 101

### § 101. Definitions

Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following:

"Literary works" are works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied.

## 17 U.S.C.A. § 102

### § 102. Subject matter of copyright: In general

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) literary works;

(2) musical works, including any accompanying words;

(3) dramatic works, including any accompanying music;

(4) pantomimes and choreographic works;

(5) pictorial, graphic, and sculptural works;

(6) motion pictures and other audiovisual works;

(7) sound recordings; and

(8) architectural works.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

*Appendix D*

## UNITED STATES CONSTITUTION

### Article I. Section 8, Clause 8

To promote the Progress of Science and use and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

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07-938

FILED
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OFFICE OF THE CLERK
SUPREME COURT, U.S.

IN THE

# Supreme Court of the United States

NEW YORK MERCANTILE EXCHANGE, INC.,

*Petitioner,*

—against—

INTERCONTINENTAL EXCHANGE, INC.,

*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

## RESPONDENT'S BRIEF IN OPPOSITION

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February 12, 2008

## Rule 29.6 Statement

IntercontinentalExchange, Inc. has no parent corporation. No publicly held company owns 10% or more of IntercontinentalExchange, Inc.'s stock.

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Respondent IntercontinentalExchange, Inc. ("ICE") respectfully requests that the Court deny the petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit.

## Reasons for Denying the Petition

Both the district court and the Second Circuit rejected the federal copyright claim brought by the New York Mercantile Exchange, Inc. ("NYMEX") against ICE. NYMEX identifies no compelling need for this Court to exercise its discretion to review those holdings.

### I. Because NYMEX Never Argued for the Abolishment of the Merger Doctrine in the Lower Courts, This Court Should Not Grant Certiorari on This Issue.

NYMEX's copyright claim rests on its contention that ICE unlawfully copies the "settlement prices" for contracts traded on NYMEX's futures exchange, which NYMEX makes available to the public each day as required by the commodities laws. NYMEX acknowledges that the well-established merger doctrine of copyright law provides that "if an idea and the expression of an idea are so intricately intertwined that the ways of expression have little possible variation, copyright protection will be denied." (Pet. 2-3.) The district court held that the merger doctrine "applies in this case" because NYMEX's idea of a settlement price "cannot be distinguished" from its numerical expression. (Pet. App. 61a.) The Second Circuit affirmed, without dissent, holding that NYMEX's

"expression here merges with the idea." (Pet. App. 18a.)

NYMEX now asks this Court to consider whether the merger doctrine "is a proper method of determining copyright protection." (Pet. *i*.) Because NYMEX never made this argument to the district court or the Second Circuit, neither court considered the primary grounds upon which NYMEX seeks review. Only upon reaching the steps of this Court has NYMEX made the sweeping assertions that it "is time to bury the merger doctrine," and that this Court should "instruct the lower courts to abandon the merger doctrine as a tool to determine copyright protection." (Pet. 5, 25.)

NYMEX's failure to attack the merger doctrine below provides ample reason to deny its petition. A question presented in a petition for certiorari that was "not raised in the Court of Appeals" is not properly before the Court. *Delta Air Lines, Inc.* v. *August*, 450 U.S. 346, 362 (1981). NYMEX never provided the lower courts with an opportunity – even in a footnote – to consider the arguments upon which it now seeks review. This case therefore is not the proper vehicle for this Court to consider whether the merger doctrine should be abolished.

## II. There Is No Compelling Need for This Court To Undertake a Review of the Merger Doctrine.

Even if NYMEX had raised below its newfound argument that the merger doctrine must be abolished, this Court should not expend its scarce resources to consider this issue.

The merger doctrine is a "classically accepted copyright doctrine" grounded on the long-accepted principle "that copyright protection does not extend to ideas." *CCC Info. Servs., Inc.* v. *Maclean Hunter Mkt. Reports, Inc.*, 44 F.3d 61, 68 (2d Cir. 1994), *cert. denied*, 516 U.S. 817 (1995). In *Mazer* v. *Stein*, this Court stated that copyright "protection is given only to the expression of the idea – not the idea itself." 347 U.S. 201, 217 (1954); *see also Harper & Row Publishers, Inc.* v. *Nation Enters.*, 471 U.S. 539, 556 (1985) ("No author may copyright his ideas or the facts he narrates.") Reflecting this principle, the Copyright Act expressly disallows "copyright protection for . . . any idea . . . regardless of the form in which it is described, explained, illustrated, or embodied." 17 U.S.C. § 102(b). The merger doctrine recognizes that in some cases there are "'only one or so few ways of expressing an idea that protection of the expression would effectively accord protection to the idea itself.'" (Pet. App. 17a (quoting *Kregos* v. *Associated Press*, 937 F.2d 700, 705 (2d Cir. 1991)).) The merger doctrine thus applies when "rigorously protecting the expression would confer a monopoly over the idea itself, in contravention of the statutory command." IV MELVILLE B. NIMMER, NIMMER ON COPYRIGHT § 13.03[B][3], at 13-86 (2007).

NYMEX concedes that the merger doctrine is fully "ingrained in the jurisprudence of the lower courts." (Pet. 16.) Indeed, the courts of appeals have

widely recognized the merger doctrine.[1] In the absence of dissention in the lower courts that might provide a record reflecting arguments both for and against the continued application of the merger doctrine, there is no need for this Court to intervene.

Contrary to NYMEX's assertion (*see* Pet. 17), this Court's decision in *Feist Publications, Inc.* v. *Rural Telephone Service Co.*, 499 U.S. 340 (1991), is fully consistent with the merger doctrine. In *Feist*, the Court addressed the question of "originality" and held that to "qualify for copyright protection" a work must be "independently created by the author" and "possess[] at least some minimal degree of creativity." 499 U.S. at 345. At the same time, however, the Court recognized that copyright law "encourages others to build freely upon the ideas and information conveyed by a work." 499 U.S. at 350. In *Feist*, the Court thus recognized that ideas – even original and creative ideas – are not subject to

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[1] *See Morrissey* v. *Proctor & Gamble Co.*, 379 F.2d 675, 678-79 (1st Cir. 1967); *Kregos*, 937 F.2d at 705; *Educ. Testing Servs.* v. *Katzman*, 793 F.2d 533, 539 (3d Cir. 1986); *M. Kramer Mfg. Co.* v. *Andrews*, 783 F.2d 421, 436 (4th Cir. 1986); *Kern River Gas Transmission Co.* v. *Coastal Corp.*, 899 F.2d 1458, 1463-64 (5th Cir. 1990), *cert. denied*, 498 U.S. 952 (1990); *Kohus* v. *Mariol*, 328 F.3d 848, 856 (6th Cir. 2003); *Assessment Techs. of WI, LLC* v. *WIREdata, Inc.*, 350 F.3d 640, 643 (7th Cir. 2003); *Toro Co.* v. *R & R Prods. Co.*, 787 F.2d 1208, 1212 (8th Cir. 1986); *Herbert Rosenthal Jewelry Corp.* v. *Kalpakian*, 446 F.2d 738, 742 (9th Cir. 1971); *Gates Rubber Co.* v. *Bando Chem. Indus., Ltd.*, 9 F.3d 823, 838 (10th Cir. 1993); *BellSouth Adver. & Publ'g Corp.* v. *Donnelley Info. Publ'g, Inc.*, 999 F.2d 1436, 1442 (11th Cir. 1993) (en banc), *cert. denied*, 510 U.S. 1101 (1994); *Atari Games Corp.* v. *Oman*, 888 F.2d 878, 884-85 (D.C. Cir. 1989); *Hutchins* v. *Zoll Med. Corp.*, 492 F.3d 1377, 1385 (Fed. Cir. 2007).

copyright protection. By denying copyright protection to works that consist solely of the expression of ideas, the merger doctrine encourages the free use of ideas mandated by *Feist*.

## III. There Is No Circuit Split That Might Warrant Intervention by This Court.

As an alternative basis for seeking certiorari, NYMEX argues that the decision below conflicts with the Ninth Circuit's decision in *CDN Inc.* v. *Kapes*, 197 F.3d 1256 (9th Cir. 1999), and the Fifth Circuit's decision in *Veeck* v. *Southern Building Code Congress International, Inc.*, 241 F.3d 398 (5th Cir. 2001). NYMEX does not contend that this putative "conflict" reflects a doctrinal disagreement concerning the merger doctrine. *At most*, NYMEX contends that the Second Circuit's "mistaken" assessment of the facts has resulted in an "uneven application of the merger doctrine." (Pet. 12, 22.) This contention provides no basis to grant review in this case, given that "the asserted error consists of erroneous factual findings or the misapplication of a properly stated rule of law." SUP. CT. R. 10.

Moreover, the Second Circuit's decision here does not conflict with the decisions in *CDN* or *Veeck*. *CDN* involved a "wholesale coin price guide" that contained the author's views on what "prices should be" for collectible coins that could vary significantly in their type and condition. 197 F.3d at 1257, 1260. In contrast, based on the record before it, the Second Circuit found that the range of possible expression for NYMEX settlement prices was so "exceptionally narrow" that the merger doctrine was applicable. (Pet. App. 19a.) Any difference in the outcome of this

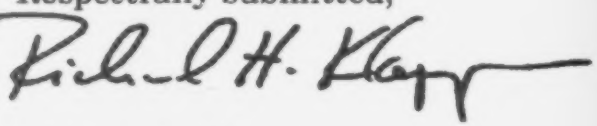
case and *CDN* thus results from factual differences, not from a conflict between the Second and Ninth Circuits.

Finally, NYMEX's reliance on *Veeck* is wholly misplaced. NYMEX asserts that in *Veeck* the Fifth Circuit held "that the merger doctrine had no application" to a copyright claim involving "model building codes." (Pet. 24.) NYMEX fails to note that the panel decision on which it relies was overturned by the Fifth Circuit, sitting *en banc*, which found the applicability of the merger doctrine to be "obvious" and dismissed the copyright claim. 293 F.3d 791, 801 (5th Cir. 2002) (en banc). This Court denied the petition for a writ of certiorari sought in *Veeck*. *See* 539 U.S. 969 (2003). NYMEX has presented no compelling reason for the Court to reach a different result here.

## Conclusion

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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No. 07-938

IN THE

# Supreme Court of the United States

NEW YORK MERCANTILE EXCHANGE, INC.,

*Petitioner*,

*v.*

INTERCONTINENTAL EXCHANGE, INC.,

*Respondent.*

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

## REPLY BRIEF

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## STATEMENT PURSUANT TO RULE 29.6

Petitioner's Rule 29.6 Statement was set forth at page ii of the Petition for a Writ of Certiorari, and there are no amendments to that Statement.

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Petitioner New York Mercantile Exchange, Inc. ("NYMEX") has raised timely and valid grounds for a writ of certiorari. The opposing brief of Respondent Intercontinental Exchange, Inc. ("ICE") makes baseless arguments and misconstrues this case. Contrary to ICE's assertion (ICE Br. 1, first sentence), NYMEX's copyright infringement claim in this case is based on ICE's unlawful copying of NYMEX Settlement Prices *before* those settlement prices are required to be made available to the public.

## I. THE MERGER DOCTRINE WAS CONSIDERED BY THE DISTRICT COURT AND THE COURT OF APPEALS

ICE erroneously asserts that NYMEX did not attack the merger doctrine in the proceedings below. NYMEX argued to both the District Court and the Second Circuit that the merger doctrine was not applicable because there was no merger of the "idea"—NYMEX's opinion of the value of futures contracts traded on NYMEX—with the expression of that idea—the NYMEX Settlement Prices.

NYMEX raised the issue of the applicability of the merger doctrine in the lower courts, and, therefore, NYMEX's argument that this Court should abolish the merger doctrine as a method of determining copyright protection is properly presented to this

Court.* As this Court has explained, one is not limited to the precise arguments it made below as long as the subject matter of its argument was raised:

> Once a federal claim is properly presented, a party can make any argument in support of that claim; *parties are not limited to the precise arguments they made below....*
>
> A litigant seeking review in this Court of a claim properly raised in the lower courts thus generally possesses the ability to frame the question to be decided in any way he chooses, *without being limited to the manner in which the question was framed below.* (emphasis added)

*Yee v. City of Escondido, Cal.*, 503 U.S. 519, 534-35 (1992) (emphasis added).

Contrary to ICE's assertion, *Delta Air Lines, Inc. v. August*, 450 U.S. 346 (1981) is inapplicable. ICE Br. 2. In *Delta*, this Court found that the failure of a party to raise an issue concerning the denial of costs under Fed. R. Civ. P. 54(d) precluded consideration of that specific issue in this Court. *Id.* at 347 – 50; 362.

By contrast, NYMEX argued in the lower courts that the merger doctrine should not be used to deny copyright protection to NYMEX Settlement Prices.

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* Sup. Ct. R. 14.1(a) provides that the questions set out in the petition or fairly included therein, will be considered by the Court.

Thus, the application of the merger doctrine was a prominent subject of the proceedings below.

*KSR International Co. v. Teleflex, Inc.*, 127 S. Ct. 1727 (2007) provides further guidance and support for NYMEX's Petition. In *KSR*, this Court opined on the teaching, suggestion, or motivation to combine test (the "TSM test") for obviousness as to patents, even though the validity of the TSM test was raised for the first time in the petition for certiorari and the propriety of the TSM test had not been argued in the lower court proceedings. This Court recognized and held that the TSM test was an aberration of its earlier precedents—the same is true with respect to the merger doctrine. This Court should provide guidance to the lower courts as to whether the application of the merger doctrine is in accordance with copyright law and the Court's precedents.

## II. THERE IS A COMPELLING NEED FOR THIS COURT TO REVIEW THE MERGER DOCTRINE

There is a compelling need for this Court to review the unsettled issue of the proper application of the merger doctrine for determining copyright protection. Although the merger doctrine has been used in the lower courts, it is a judicially-created doctrine that has never been adopted or approved by this Court.

In the absence of this Court's guidance, the lower courts have inconsistently and improperly applied the merger doctrine. The merger doctrine improperly denies copyright protection to creative works merely by terming these works as ideas on the basis that idea and expression have merged. ICE's Opposition Brief itself illustrates the misdirection

and confusion caused by the merger doctrine, where it states:

> By denying copyright protection to works that consist solely of the *expression of ideas*, the merger doctrine encourages the free use of ideas mandated by *Feist*.

ICE Br. 5 (emphasis added). Contrary to what ICE contends, protecting the *expression of ideas* is the very essence of copyright law.

Like the TSM test in patent law, the merger doctrine has become a rigid rule that lower courts use to deny copyright protection. As the Court noted in *KSR*, the rigid application of such rules allows lower courts to depart from fundamental principles enunciated by this Court. 127 S. Ct. at 1730–32. In *NYMEX*, for example, the merger doctrine was invoked to deny copyright protection to creative works of expression, resulting in a decision that is inherently incompatible with this Court's decision in *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991),that creativity determines copyright protection. Pet. 15 – 20.

Applying a definition in hindsight, as the merger doctrine does, is outcome determinative of whether the idea and the expression of that idea are merged. Therefore, use of the merger doctrine as a tool to determine copyrightability is misguided because it unjustly transforms what was once a protectable work of expression into an uncopyrightable idea.

## III. A CIRCUIT COURT SPLIT EXISTS BETWEEN THE SECOND AND NINTH CIRCUITS

There is a doctrinal disagreement between the Second and Ninth Circuits concerning the merger doctrine. The attempts of ICE and the Second Circuit to distinguish *CDN Inc. v. Kapes*, 197 F.3d 1256 (9th Cir. 1999) from *NYMEX* are unavailing.

As pointed out in NYMEX's Petition, the Second Circuit's only reference to *CDN* is a footnote, which states that "*CDN* is distinguishable because the price for collectible coins in that case was estimates, not discoverable market facts." Pet. 24 (citing Pet. App. 13, FN 5). However, NYMEX Settlement Prices are not merely "discoverable market facts." Indeed, the Second Circuit based its analysis of the application of the merger doctrine on the assumption that NYMEX's Settlement Prices were creative expression.

ICE now argues that *CDN* does not conflict with *NYMEX* because *CDN* involved an "author's views" of what prices should be for collectible coins, which "could vary significantly in their type and condition," while NYMEX involved settlement prices where "the range of possible expression... was so 'exceptionally narrow.'" ICE Br. 5. In other words, ICE argues that *CDN* and *NYMEX* involve different *kinds* of ideas and different *ranges* of possible expression. That argument is simply incorrect.

Rather, the record below established that the NYMEX Settlement Prices can vary significantly because they are the NYMEX Committee's opinions on the value of futures contracts that are traded on the NYMEX each day and on futures contracts for

which there has been no trading on a particular day. Like the author in *CDN* who expressed his creative opinion on the value of collectible coins, the NYMEX Committee expresses its creative opinions on the value of futures contracts. The Ninth Circuit held that CDN's prices fell "on the expression side of the line" and that the merger doctrine did not bar copyright protection. *CDN*, 197 F.3d at 1262. The Second Circuit, in contrast, found that NYMEX Settlement Prices fell on the idea side of the line and that the merger doctrine did bar copyright protection. The opposite decisions in the Ninth and Second Circuits did not result from any material factual difference; rather, they resulted from a doctrinal difference as to whether application of the merger doctrine was proper.

NYMEX acknowledges that its citation of *Veeck v. Southern Bldg. Code Congress Intern. Inc.*, 241 F.3d 398 (5th Cir. 2001) ("*Veeck I*") as evidence of a split among the circuits was in error in view of the *en banc* decision reported at 293 F.3d 791 (5th Cir. 2002) ("*Veeck II*"). However, the *en banc* decision in *Veeck II* supports review of the merger doctrine by this Court.

*Veeck II* was a split decision with two dissenting opinions in which a number of the judges joined. The dissenting opinions in *Veeck II* further highlight the compelling need for this Court to review the merger doctrine and instruct the lower courts on its applicability.

Judge Patrick Higginbotham recognized the shortcomings of the merger doctrine as an analytic tool for deciding the issue in *Veeck II*, stating that

its application was nothing more than a tool to arrive at a pre-determined result:

> As for the merger doctrine, I am not persuaded it brings anything more to the table.... A complex code, even a simple one, can be expressed in a variety of ways. That reality is not ended by choosing one manner of expression to enact and then pronouncing that this normative rule – "the law" – can only be expressed in one way. Of course, you have adopted the protected expression; the reasoning is wholly tautological. It is a restatement of the conclusion... not an independent reason why that is so.

293 F.3d at 807. Judge Higginbotham also said that reliance upon the merger doctrine is "wordplay" *Id.* at 808.

In a second dissent, joined by others, Judge Weiner characterized the merger doctrine as "widely misunderstood," further supporting the need for this Court's intervention:

> Libertarian advocates of freedom from essentially all copyright protection attempt to find a safe harbor in the merger doctrine as a last resort when they do not prevail on the idea/expression dichotomy.... Similar to the general misconception of the idea/expression dichotomy, the *widely misunderstood merger doctrine* also depends on the level of abstraction at which the court defines the "idea" that

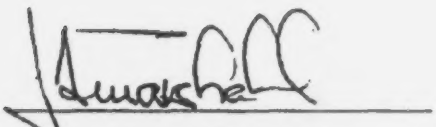
> is alleged to have merged with its expression.

*Id.* at 820-21 (emphasis added).

## CONCLUSION

For the reasons set forth in NYMEX's petition and in this Reply, it is essential that the Court review the applicability of the merger doctrine in copyright law. NYMEX therefore respectfully requests that its petition for a writ of certiorari be granted.

Respectfully Submitted,



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